THE
TICKER
AND
INVESTMENT DIGEST

Investment: The placing of capital in a more or less permanent way, mainly for the income to be derived therefrom.

Speculation: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes.

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The "Witching Hour" in Stocks

By Joseph F. Preston

The "Macbeth" Witches.

First Witch. Thrice the brinded cat hath mew'd.
Second Witch. Thrice and once the hedge-pig whined.
Third Witch. Harpier cries 'Tis time, 'tis time.
First Witch.
Round about the cauldron go;
In the poison'd entrails throw.
Toad, that under cold stone
Days and nights has thirty-one
Swelter'd venom sleeping got,
Boil thou first i' the charmed pot.

YOU may have noticed him. He is the man who keeps up a running comment on the course of the market as he loiters in the little congregation about the ticker, closely watching the tape reel off the quotations. He's a wise guy, is this man. He knows the history of every bull and bear market for years back; he is chockful of anecdotes and rattles on about Union Pacific, Reading, Amalgamated and Brooklyn Rapid Transit in a never-ending flood.

"They're selling the market this morning," he will say with conviction. "By 'leven o'clock they'll be a point lower all round."

The tape begins to show big lots of Union Pacific at rising prices. The wise guy goes over to the order window and says: "Say, Charlie, find out who's buying all that Union Pacific."

The long-suffering clerk 'phones over to the floor for the information. Back comes a message like this: "Content, Williston and Houseman buying. Chapman and scattered selling." Whereupon the man who wanted to know shakes his head with a baffled expression and runs the tape through his fingers with a preoccupied air. The occasions are rare when he actually buys or sells stock. Few of these garrulous chaps filled to the brim with market knowledge do anything in the market.

The man who really makes the plunge and takes on a line of 1000 Amalgamated or 500 Union Pacific is apt to be some quiet, unassuming man who acts on impulse, on the spur of the moment. In

other words, he has a hunch, he has arrived at the conclusion that the "Witching Hour"—the psychological moment—to buy has come.

It would be an interesting study in psychology to follow the methods by which the individual arrives at a decision. Does something tell him that luck is about to strike that particular purchase and the stock is going up? Has some sign, some omen, indicated to him that he is in for a run of luck? Has he made a careful study of the security he buys, the technical situation, and satisfied himself that the stock must advance on its merits?

When insurance companies, institutions or trustees buy stocks or bonds on the floor of the New York Stock Exchange their purchases are not made on impulse. No special interest is manifested as to whether the particular stock or bond is going up. They assure themselves beyond all reasonable doubt that the interest will be paid, and let it go at that.

But when an individual buys there is a fundamental reason. The individual thinks that the particular stock which he buys is going up, else he don't buy. How does the individual arrive at that conclusion?

Well, most people play hunches of their own, and those who haven't got a hunch play some other fellow's hunch. It would be difficult to say how much stock is bought and sold every business day with no other foundation than mere impulse, but there is a vast deal of it.

Why do they do it? Human nature is pretty much alike and from Adam down a strain of superstition, a half formed belief in clairvoyance, in sorcery, or some undefinable occult power has found lodgment in the human breast.

Ever since the world began lovers have sighed for a love philtre, but there never was a love philtre that worked. For ages the poor man has hoped for an Aladdin's Lamp to make him rich, but no poor man ever got rich that way. Mothers hang amulets around the neck of their children to keep them from catching the whooping cough, but most of them catch it. Speculators carry a talisman to bring them luck, risking their money only when wizards tell them what stocks are going up and which are going down, but there never yet was a wizard that could do it.

For many years a widely advertised "Witch of Wall Street" did a flourishing business and accumulated a tidy fortune telling others how to beat the Wall Street game. She has had many successors and to-day every dime museum has a fortune teller who for 50 cents will tell you the days of the week on which you will be most likely to win in Wall Street.

Science and invention have made such rapid strides since the days of the "Witch of Wall Street" that the wizards don't do business in quite that brazen way nowadays. But the witches and sorcerers are still doing business. Frequently their advertisements appear in the newspapers. Almost any of these sorcerers, for $20 a month or thereabouts, paid in advance, will guarantee to tell you how to win in Wall Street. They always have on tap a stock that is about to have a 30-point drop or advance, but you must hasten $20 if you want to get in on the good thing.

Only a few weeks ago a man sent on $20 to one of these necromancers. For sometime he read the series of Ephesian letters that came regularly in his mail every morning. He was a bit skeptical but had to admit that the sorcerer hit it off pretty good. One day he read: "Buy some of this Western Maryland." The man bought it, paid 20½ for it. That was the top and from thence it steadily declined until it struck bottom at 3¾.

It seems but yesterday when Mr. Lawson illumined the newspapers with glaring advertisements narrating his varied career of Forty Years in Wall Street and all it had taught him. He told us that Steel Common was going down, 'way down. "If I had Steel Common," he said, "I'd sell it," and he put in something very pathetic about the widows and orphans who might be holding it when it got down to $8 a share. Strangely enough that was the witching hour to buy Steel Common, not to sell it. It was then around 40. To-day it is 75.

Some day it will be difficult for us to believe that the superstitious minds of men ever tolerated such arrant humbugs

as these Wall Street witches and sorcerers. Progress keeps on, science builds up and destroys, and the time will surely come when we will realize that it is only in storybooks and plays that there is anything "i' the charmed pot."

One of the most successful plays of recent years is "The Witching Hour." The public have crowded the theatres at every performance fascinated by the undercurrent of mind reading, mesmerism and mysticism with which the play is impregnated.

When the villain in the play pressed a revolver against the hero's breast what did the hero, Mr. John Mason, do? He assumed a stagey attiude under a huge hanging lamp and hissed, "You can't shoot. You can't even hold that gun." Sure enough the villain couldn't shoot and he dropped the gun.

Then, the comedian, what happened to him? He borrowed something like $40,000 (stage money) from Mr. Mason. He had a hunch and he wanted to play Mr. Mason, who ran a gambling house, for the money he had just borrowed from him. Well, and what happened? He shuffled the cards and he cut them, dealt a hand for Mr. Mason and for himself. "Pick up your cards," says Mr. Mason, standing meantime far away from the card table. Then he pressed his hands to his throbbing temples, rubbed his eyes and said: "You've got three queens." Sure enough the comedian had 'em. How can you win when the other fellow knows what cards you are holding? The comedian nearly wept because he couldn't induce Mr. Mason, endowed as he was with such marvelous clairvoyant power, to go with him to Cincinnati where there was a big poker game and clean out the bunch.

That is the way it was in the play, but when we get away from the glamor of the footlights and down to mundane existence things don't always break that way.

Some years ago that same Mr. Mason was a guest at a very large and fashionable summer hotel. Some college athletes and millionaire kids who thought they could play base ball challenged the guests of another very large and equally fashionable hotel to play a game. Mr. Mason's crowd beat the other crowd very badly. Then they got up another game. The excitement preceding the second game was intense. Large sums were wagered on the outcome. It certainly looked like a cinch, and Mr. Mason dug down in his jeans and bet half his next season's salary that his hotel would win.

Two young men, sons of a Standard Oil magnate, were stopping at the other hotel. Now, Mr. Mason, being merely an actor, had little appreciation of what it means to be up against the Standard Oil crowd. One should never bet against Standard Oil because cinches, sure-thing-hunches and sorcery cut no figure with that crowd, and if you bet against them you'll lose.

Well, what happened? The day before the game was played, some hurry-up scouts hit the trail, and ere nightfall there was registered at the other hotel, under assumed names, three husky National Leaguers who sure could bat a base ball away out into the tall timbers. The next day they stood around listlessly in the outfield, but when they came to the bat they lambasted the ball in a manner that carried consternation to the Yale man who was pitching and kept the millionaire kids hiking out into the tall grass until they were puffing like porpoises. It was an awful beating that Mr. Mason's hotel got.

No sane man with an extended Wall Street experience will place any credence on tipsters who for a stated sum will guarantee to tell you which stocks are going up and which are going down, but it will be hard to convince speculators with a gambling mania that there is no such thing as good luck and ill luck. There is hardly a stock broker that will knowingly walk under a ladder. Stock brokers will go hungry rather than sit at a table where thirteen are seated. Most of them carry lucky coins, and many are not adverse to carrying in their pocket the left hind foot of a rabbit killed in a church yard at midnight on Friday night. Occasions arise when it seems almost as though there must be such a thing as blind luck in the stock market.

A few months ago when Reading was breaking badly, a man who now and then did something in the market came

into his broker's office with a hunch. He thought that Reading, a 4 per cent. stock, was selling too high, and he knew positively that it was going lower. He sold 500 shares of Reading at 122⅛; that is, he thought he did. The buy blanks in that office are printed on white paper and the sell blanks are printed on buff paper. He picked up the wrong blank and put in a buy order. "One twenty-two and an eighth on that Reading," said the order clerk. Like many other hunches this particular hunch went wrong. The "Witching Hour" had arrived for buying Reading. It went up to 123½, 123⅝, 123⅞ and 124. The man with a hunch waited no longer. This time he got the right blank and put in a buy order for 500 Reading. "One twenty-four on that Reading," said the order clerk. Reading went higher and he congratulated himself on covering his short stock, but he went home that night long 1000 shares of Reading. His account was carried in his wife's name. The statement came to her and she tossed it in the drawer of his library table where it laid for several weeks without his seeing it. Then one day on answering his telephone his broker said: "Reading 159½ and I think you better take your profits on that thousand shares we are carrying for you as you are some $20,000 to the good." He took his profits.

The statistical man in a broker's office is apt to be a man with very little imagination. Figures to him are facts, and he laughs to think that the "Witching Hour" cuts any figure in the stock market. He figures out train cost per mile, operating revenue, fixed charges and all that sort of thing, and arrives at the conclusion, which he can prove by his figures, that a certain stock is selling too low on its earnings and it has got to go up. Instead of going up, however, it often happens that it hangs around for months at the figure at which somebody has bought on his dead sure calculations. Then it takes a vicious jump down—not up. It strikes the "Witching Hour" about the time the statistical man has arrived at the conclusion that he hasn't charged off enough for depreciation or something or other and therefore must be a good sale. Then it goes up.

One day a man in Boston whose father had left him 100 shares of Tamarack went to the statistical man of one of the leading houses for advice. That statistical man had Tamarack down pat. He got out the annual reports of Tamarack for years back and showed the man that Tamarack was one of the highest cost copper producers in the world. Its shafts were down about eleven thousand feet and it was a pretty bum proposition, he said. But there was Dominion Copper. There was a proposition worth considering. Unlimited ore supply right on the surface, mine it with steam shovels, and the statistical man had been there, seen it with his own eyes. There was a railroad cut out there running right through the property, cut through the prettiest ore the statistical man had ever seen. The smelting facilities were being largely increased and it was a sure thing.

The man sold his Tamarack at $100 a share and bought Dominion Copper at $7 a share. "Witching Hour" again. Inside of ten days Tamarack went to $170 a share. Dominion Copper moved up half a point. The other day the Calumet & Hecla people, who are said to be fair judges of mining properties, bought the controlling interest in Tamarack, and Dominion Copper was quoted on the Curb at 2 cents a share.

One cold, blustering March day, a tall man with his trousers tucked into a pair of rubber boots wandered into a Wall Street office. He recalled himself to one of the members of the firm as an old acquaintance. He had called with a purpose, a neighbor of his had made $10,000 in the stock of the Tennessee Coal, Iron & Railway Co., and he wanted to do likewise. It was a hunch, pure and simple, but he had $35,000 to back it up. The stock was then selling in the fifties. That day they picked up 2000 shares of T. C. I. for his account, and the partner shook his head with many dire forebodings. The next day a man connected with the firm who sold the T. C. I. output came into the office. He said: "T. C. I. went through one boom and paid a dividend, but God knows when it will ever pay another. We have to almost give their iron away, market glutted, we're shipping thousands of tons to Europe on the cotton ships as ballast

and it's dumped over there for almost nothing. They are after us all the time for money and we've advanced them near a quarter of a million already. A man's crazy to buy that stock; sell the damn stuff." With a heavy sigh the broker placed an order for the sale of 2000 T. C. I for his personal account. The lamb might lose his hide, it was the way of lambs; but as for him, nix on the skinning process.

Again the "Witching Hour." From that day T. C. I. developed a wholly unexplainable strong tone. By fall it had worked up to 89. Occasionally the tall man would come around and smile, there was something sardonic about his smile to the broker who had gone short for his personal account. Ere long the T. C. I. certificates with the handsome picture of an Indian's head engraved upon them, became amazingly scarce. It went up, and up. It crossed par and kept going. It went to 140 something and it stayed there. It was a coon that wouldn't come down. Even the panic couldn't fetch it. The tall man now owns one of the fastest yachts that sails the seas. The broker is living on a small farm which he bought with the few thousand that was coming to him when he retired from the firm.

One time there was a trusting widow. She met a confiding clergyman on the street. He said: "I have just come from the office of one of my parishioners, the inventor of the new breakfast food. He has more stock of his breakfast food company than money, and he needs some money." The widow had money but no stock. They called on the inventor and for $10,000 the widow got 10,000 shares of his breakfast food company. The trusting widow and the confiding clergyman did not know that the breakfast food company was on the blink at that very moment, that most of the stockholders in that breakfast food company had charged off their investment to profit and loss. Nevertheless the "Witching Hour" was come. The public that had been calling that particular breakfast food "excelsior" and "baled hay" began to take rather a liking to it. They hired a skilful advertiser and he began telling the public that if they would eat that breakfast food they would grow massive brains, perfect teeth and enjoy perfect health. In a little while it swept the country. Now everybody eats it, every grocery store sells it. From a $1,000,000 corporation it was raised to a $10,000,000 company. The trusting widow got ten times as much stock as she had without payment of a dollar. The profits of a successful breakfast food are something colossal. Every year the trusting widow receives in dividends several thousand dollars more than her original investment.

Well, then, who is it that knows? Who is it that is illumined with the prophetic vision that tells when the "Witching Hour" has come to buy or to sell? Does anybody know?

One time a young man got a job with an investment house as a stenographer. The tall, overworked, nervous maiden of uncertain age who ruled the roost in the stenographers' den handed him a book and said: "You can learn how we write our forms for bond offerings by looking over these copies of letters." That was a book worth reading. At the beginning the senior partner of the firm had signed a letter to somebody in London. He said: "We must sell. Sell everything and then some." A week later he said: "Keep selling. Sell some more." A little later he wrote: "We must sell while we have a market. Isn't there something more you can sell? Sell everything." All through the book were copies of letters from the senior partner. He seemed to be possessed with a perfect mania for selling things. The other letters were not insistent about selling. Some of them said the market has had quite a drop and stocks look cheap. Not so the senior partner. He wanted to sell his very shirt. One letter said: "I am an old man. I may die to-night, but I tell you we must sell, we must sell everything without reservation." The young man looked at the date. Two days before the announcement of the failure of the Knickerbocker Trust Co.

There was a man who knew. There are a few others. You can count them on the fingers of one hand. They are the richest men in the country. Sometimes you will read in the press a guarded opinion from them, always of an optimistic tenor. They are not adverse to telling when the "Witching Hour" has

come to buy. But they never, *never* tell when it is time to sell.

There are many brokers who know where lies the "Witching Hour." They know that they know, but they cannot tell you why they know. There is a happy knack, an intangible, intuitive feeling that comes to some men; it is the "Witching Hour" feeling that tells them that the time has come to buy or to sell. Many of these men are at the head of large and prosperous brokerage houses. Brokers who cannot tell at least approximately when it is time to buy or sell do not long continue in business. Of course they are not infallible, they all make mistakes, but they can come within shooting distance of the "Witching Hour."

It is a great fallacy to think that everybody who touches the stock market loses. It is not so. There are men and plenty of them who every year take out handsome incomes from occasional ventures in the market. All men are not fools. Wide business training gives to some men a grasp of underlying conditions of the business fabric that in their workings are irresistible. The market has got to move one way or the other. No power on earth can stop it.

"We'll always have a market," says the wise guy mentioned at the beginning of this article." It'll be here to-morrow and the next day. To-morrow I'm going to buy some of that Reading. It'll go to 400 sure."

Sure enough we will always have a market and men will always speculate. There will always be the fascination of chance, the hope of striking the "Witching Hour"; some will be successful, some will fail. The successful ones will be the "Witching Hour" fellows. The unsuccessful ones will be those whom nature has endowed with hunches that don't make good.

Results of Trading by Mechanical Methods

Handsome Profits Shown

MR. GEORGE A. MANWARING has filed with this office the statement of a New York Stock Exchange house, showing transactions for one of his clients, said account being operated under his mechanical plan.

The period covered is from March 15 to August 10, 1909. Transactions are in lots varying from 10 to 100 shares. The prices at which stocks were bought and sold and the points made or lost are shown herewith.

As this statement shows the result of actual trades made in the market for real money, it establishes beyond all question the existence of a mechanical method which will deliver the dollars.

It is presented in these columns in order to meet the criticisms of those who claim that "mechanical methods will not work in the market as they do on paper," as well as those who contend that in encouraging the search for and the use of mechanical methods, this publication is fostering a "delusion."

Record of Actual Transactions Made Under G. A. Manwaring's Mechanical Method, March 15 to August 10, 1909

Stock	Long or Short	Bought at	Sold at	Points Loss	Points Profit
Reading	L	124¼	129¼		5
"	S	137⅜	135⅛	2¼	
"	L	137⅜	141¼		3⅞
"	L	140¼	146½		6¼
"	L	147¼	145⅝	1⅝	
"	S	146½	145⅝	⅞	
"	L	146½	153		6½
"	L	152¼	157½		5¼
"	L	157⅛	156¾	⅜	
"	L	158¼	156¾	1½	
"	S	156	156⅞		⅞
"	S	155½	153⅝	1⅞	
"	L	155½	155¾		¼
"	S	155¼	155¾		½
"	L	154⅛	152½	1⅝	
Smelters	L	91½	88½	3	
"	L	89	95		6
Reading	L	148¾	155⅜		6⅝
"	L	152⅜	155⅜		3
"	L	155	155⅜		⅜
"	L	157¼	155⅜	1⅞	
"	S	155⅛	155⅜		¼
Smelters	L	90⅜	95		4⅝
"	L	94⅛	95		⅞
So. Pacific	L	133⅛	132¼	⅞	
Amal. Copper	L	81½	80	1½	
Wabash pfd.	L	54¼	57½		3¼
Reading	L	155⅛	155	⅛	
"	L	156½	155	1½	
"	S	155½	155	½	
"	L	155½	163¼ (stop)		7¾
"	L	162⅝	163¼ (stop)		⅝
"	L	164⅝	163¼ (stop)	1⅜	
Atchison	L	120	118¼ (stop)	1¾	
				22⅝	61⅞
Smelters	Dividend on long				1
Reading	Dividend on short			2	
				24⅝	62⅞

Com. on 34 trades (points)	8½		
Tax on 34 trades (about)	⅝		
Interest equals (about)	½	9⅝	34¼
Net profit in points			28⅝

in 5 months, an average of about 5¾ points per month, or 68¾ points for a full year.

A Discussion On Stop Orders

Arguments For and Against Their Use

A SUBSCRIBER writes regarding stop orders:

"I have read your TICKER from the day it first appeared and have learned much from it.

"Now why don't you go in for an exhaustive article on the 'Two-point stop loss'? There is no subject in Wall street so much disputed. I have dealt in stocks for the past ten years and can now beat the game; but every loss I have had in the past three years has been from my two-point stop being caught. I was always in the right trend and had I put no two-point stop on my initial purchase I would have *made a profit every time*.

"I am 50 years old, a successful business man and no novice at stocks. I keep figure and straight line charts; understand basics, fundamentals, values, etc., but the two-point stop only seems to me to be a 'broker's graft,' though I thoroughly believe in it when applied to stopping loss of profits.

"Being in another business I cannot hang over a ticker and jump in and out daily. My trades must all be on the long swings of five or ten points or so. But though I buy at the seeming bottom of a slump, my two-point stop is reached the majority of times.

"My most intimate friend is one of the largest brokers and swears by the two-point stop; but if I had not used it since the last panic I would be $20,000 more to the good to-day on profits.

"I have talked this subject over many times to sensible and experienced men in Wall Street affairs, but rarely find two of them who agree."

We have no doubt that our correspondent's ability to "beat the game" is largely due to his use of stop orders.

If every one of his losses during the past three years has been on account of his two-point stops being caught, he needs no better argument in their favor. People who did not use two-point stops during this period took ten, twenty, fifty and hundred point losses. We have no doubt that he would have been scared out or shaken out at the bottom had he not thus protected himself.

If you buy a stock at par, are stopped out at 98 and it goes first to 90, then to 120, you cannot claim that you would have made twenty points. It is quite possible you would either have sold at the lowest or taken two or three points profit on the recovery. Too many people deceive themselves by taking credit up to the last eighth for what they might have done.

It is folly for our friend to say that if he had not used the stop he would have made a profit every time. He *might* have made nine profits and then lost it all and more on the tenth trade because he didn't use a short stop.

There is no graft in the stop order for the legitimate broker. His commission is the only revenue derived and this is the same whether a trade is closed on stop or otherwise. But the broker would rather have a client use stops because he knows that instead of being wiped out by a few big losses and lasting only a few months, the "stop order trader" will probably make money and keep on trading for years.

We do not see the distinction between stopping losses and stopping profits. The stop order is either advantageous or it is not; it is correct and scientific or it is not. The object of it is to prevent a stock going against you more than a certain amount and it seems to us to apply whether you have just made a trade or whether it is ten points in your favor.

With no other evidence than the

above letter we conclude that the secret of our friend's success is in the use of the two-point stop; that failure to use it would have led to many losses of more than two points, and that without stops he would probably not have made $20,000 more in profits.

In his letter of June 19th, Thomas Gibson has this to say regarding the use of stop orders:

"I have frequently referred to the effect of the increasing popularity of stop orders on the technical situation. It is rather remarkable that many brokers and almost all market advisors strongly recommend the use of this form of protection. If only a few people indulged in it there would be no cause for apprehension; but when thousands of such orders are in existence only a short distance below the market, the bear element has received a distinct invitation to drive prices down until these orders are uncovered. If the first bunch of stops reach ended the matter, these little drives would be of no importance; but the trouble is cumulative. A drop of two points frequently leaves the situation worse than it was originally, as new stops exist a little lower and new ones are daily introduced by operators who grow nervous over the moderate decline. It is true that in the last analysis the shake-out is healthful, in that it eliminates the weak spots and creates a short interest, but frequently such declines go further than anyone anticipated. The break of over six points on the average in February, 1909, was really due more to a weak technique than to the excuses offered.

"The basic theory of the stop order is that prices will swing beyond the point at which the stop is placed; that thus losses will be curtailed and opportunities presented to replace lines at a lower level. The limit most frequently employed is two points from the prevailing quotation. It frequently happens that the market does swing beyond the two-point limit. It also frequently happens that it goes just about far enough to clean a trader out. But the greatest trouble lies in the fact that in nine cases out of ten, the opportunity is not accepted to replace commitments even at a lower price. It is gratifying to note that a stop order was executed at, say, 88 and that the market is now 86, but later on when the market has reached 90 again, we cannot make any money by reflecting that we had the best of it temporarily. Every trader has experienced this drawback.

"Discussing the stop order in a published work some years ago, I offered the opinion rather grudgingly that stop orders might sometimes be used to advantage in order to protect profits. After observing the growth of this method in recent years I am inclined to withdraw even this opinion.

"So far as the use of stop orders to protect original commitments; that is to say, placed at the same time the original trade is made, it is my opinion that such a method is ridiculous. We have no business buying anything unless there are good reasons to expect an advance. If these reasons are canceled, the thing to do is to sell out; if, however, the reasons remain in force, we should consider buying more on a decline instead of sacrificing what has already been purchased. With the stop order, used as mentioned, we buy something because it is considered cheap and at the same time contemplate selling it if it becomes cheaper. I cannot imagine any defense of this form of operation other than that the operator is simply guessing at quotations. He works on a purely mechanical basis on the theory that his particular machine will upset the calculus of probabilities and run further in one direction than in the other.

"In order to show how little advantage is gained by the stop order as a protection and also to show the unusual duration of our recent advance without a reaction, the following table has been prepared:

Table Showing All Reactions of Two Points or More Since January 1, 1908
(41 Rails and Industrials.)

	Highest.	Decl. to	Total Decl. (points)
Jan. 17 to Feb. 17, '08.	65.02	58.63	6.39
Mar. 25 to Mar. 31..	67.13	65.02	2.11
April, no decline ...	.....	.....	....
May 18 to May 28...	74.70	70.51	4.19
June 2 to July 23...	73.27	69.80	3.47
July, no decline.....	.....	.....	....
Aug. 10 to Aug. 15..	80.54	77.62	2.92
Sept. 9 to Sept. 22..	80.54	74.57	6.07
Oct., no decline....	.....	.....	....
Nov. 17 to Nov. 21..	86.16	84.14	2.02
Dec. 10 to Dec. 21..	87.14	84.16	2.98
Jan. 2 to Jan. 30, '09.	87.89	84.61	3.28
Feb. 15 to Feb. 23..	87.11	80.66	6.45
Mar., no decline	.....	.....	....
April, no decline....	.....	.....	....
May, no decline	.....	.....	....

Mr. Gibson here assumes: (1) That everyone trades on the long side; (2) That everyone's reason for buying is the cheapness of the security he purchases; (3) That he who uses a stop intends to replace his purchase at lower figures in case the stop is caught.

The first premise cannot be taken seriously; nevertheless Mr. Gibson has ignored the short side and treated the subject of stop orders solely from the standpoint of those who buy before they sell. We concede that this class far exceeds in number those who trade

on the short side; but in justice to the growing army which operates on both sides of the market, why cannot Mr. Gibson's argument also apply as follows: "When thousands of such orders are in existence just *above* the market the *bull* element has received a distinct invitation to drive prices *up* until these orders are uncovered"? What is sauce for the goose is sauce for the gander. The bull is no more deserving of credit, protection or consideration than the bear.

If we are not mistaken, Mr. Gibson has at times recommended the short side to his clients. Suppose among the list of stocks he recommended as short sales there should some day be found another Northern Pacific! Plenty of people sold that stock short when it reached 120, because it was above value. They were saved from ruin by the operation of stop orders placed either by themselves or their brokers. Likewise the bulls who, during the same crisis, were protected by stop orders, had the privilege of replacing their holdings twenty, thirty and forty points below where they sold.

It is a regrettable fact that only a comparatively few people buy stocks because they are cheap. Not one in a hundred is sufficiently expert to judge intrinsic value and few of those who are thus qualified, trade with value as a basis for their operations. Mr. Gibson will doubtless admit that the vast majority do not buy stocks for this reason. They buy because Mr. Gibson or their broker or some other market advisor recommends the purchase. In other words, they operate on "Brains bought, begged or borrowed." This being the case, the stop order is, primarily, insurance against errors of judgment on the part of the advisor, also against accidents which it is impossible for him to foresee.

We regard the increasing popularity of stop orders as evidence of a more enlightened speculative public.

It is convincing proof that outside traders are becoming more expert, which means that they are either making money or are not losing it so fast. As one of them, pointing to an office full of speculators, said to me recently, "All these people use stops of a half to one point and sometimes two points. Hardly any one of them ever makes a trade without a stop of some sort. The public has gone through a marked change in this respect, and in this office, at least, there are seldom any ten or twenty point losses taken such as we used to witness. There's a fellow over there who got a tip on Mop. this morning. He was told to buy it at the opening for a quick upward move. He bought it with a half-point stop order. His stop was caught almost immediately. He was satisfied. The tip went wrong, but it didn't hurt him. He will take several of those chances in the hope of getting in right once. The speculator of to-day is a much more foxy individual than the one of five or ten years ago."

Suppose a market does become honeycombed with stop orders resulting in violent shakedowns; do not many people benefit? Mr. Gibson's followers are the gainers because they are taught to buy more on a scale down. The bears profit, of course. So do the bulls who are shrewd enough to place their stops close up to their purchase price.

According to Mr. Gibson, these declines become more serious and extended as new stops are "introduced by operators who grow nervous over the moderate decline." These people are dangerous in any kind of a market, and under any system of trading. They cannot take a small loss, and they do not wish to take an investment position. Their methods are typical of the public that used to be, but is not now. They are the people who take one point profits and five point losses, lose their money and try to get even by writing prize stories for *Everybody's Magazine*.

We agree with Mr. Gibson that the market would be better off without these people, the majority of whom lose their capital and pass on; but it is from the ranks of these recruits that our semi-professionals and professionals are evolved, and in this respect the market is benefited. The more traders there are who know how to conduct themselves in the market,

the safer and more satisfactory trading becomes.

The average man who places a two-point stop *does not wish to replace his stock* at a lower level; and if he is on the short side he seldom puts out his stock higher up after his stop is caught.

Mr. Gibson says, "The greatest trouble lies in the fact that in nine cases out of ten, the opportunity is not accepted to replace commitments even at a lower price."

The reason is that Mr. Composite Trader, having risked and lost one or two points on a tip, guess or piece of advice, considers himself well out of the stock and looks around for some other opportunity. He seldom goes back into the stock which has licked him.

Two things are necessary to stock market success—a plan and a man who can work it. Supposing the market advisor supplies the plan, and tells what and when to buy; the man who plays may not have the nerve of a shrimp; he may overtrade or develop cold feet at a critical juncture. This is proven by complaints which we hear at times from people who have lost money following market experts whose advice is usually correct as a general rule.

We claim that you cannot throw into combination "the calculus of probabilities," and a preponderating amount of the human element and thereby produce a perfect mechanical mixture. This human element is a more potent factor in producing losses than is the percentage of times the advisor is wrong. In other words, traders need protection against themselves—against the "nervousness" which induces them to sniff at a small loss and then unload just when they should average—at the bottom of a severe decline.

And this brings us to a point which we have held and will continue to hold, and which we should like someone to prove untenable, viz.:

Every trade should be protected by a stop order or the stock should be paid for in full.

Until speculators as a whole learn to trade without fear. we do not expect to be shaken from this opinion, but we are always open to conviction.

Now, consider two other classes of operators—floor traders and tape readers, and let Mr. Gibson explain where they would be without stop orders.

There are floor traders who never take over ⅛ or ¼ loss, but who will take a very substantial profit if a stock goes their way. They form the most successful class of operators in Wall street (see Hughes' Committee Report). They care nothing for values, trade on both sides of the market, and would not think of "buying more on the decline." They will pyramid *with* the market but not against it. These traders may be regarded as unswerving advocates of the stop order. Every trade they make carries with it a resolution to get out at once if they are wrong, and this constitutes a stop order just the same as if it were placed with a specialist. It can hardly be claimed, in view of the highly satisfactory results obtained, that "such a method is ridiculous."

Then consider those who draw their inspiration from the tape alone. They work largely on the same lines as the floor trader, measuring supply and demand, etc., and following the line of least resistance. The opinion formed one moment may be reversed in the next; or there may be a danger point where, if touched, they wish to close the trade. To such as these the stop order is indispensable, especially in active markets when the tape is far behind. Without them, trading risks would multiply. So from the tape reader's standpoint it can hardly be said that "such a method is ridiculous."

In attempting to prove his claim, Mr. Gibson submits a table giving all reactions of two points or more since January 1st, 1908, as evidence of "how little advantage is gained by the stop order as a protection."

His figures prove exactly the contrary.

Sixteen periods are given.

In only two instances would the user of a two-point stop have been caught without a chance to repurchase materially lower.

In six cases the stop orders would not have been touched at all.

In eight cases he would have been able to repurchase at prices varying from 2.92 points to 6.45 points below his original figure.

profit resulting from the use of stop orders.

Equal to $1,306.00 on the basis of 100 share trades if one were able to buy at the bottom. Allowing for purchases a whole point from the bottom

	Points.	Points.
Total profits due to use of stop orders (8 trades)		19.76
Total losses due to use of stop orders (2 trades)	4.	
Commission on 10 extra trades..............	2.50	
Tax on 10 extra trades................................	.20	6.70
Net profit by use of stop orders over non-use		13.06

The average price for these eight trades repurchased would have been 4.47 points below the original purchase price or 2.47 *points per trade increased* there would still have been $500 more profit by using stops.

Mr. Gibson's own figures are therefore very excellent evidence of the advantage of using stop orders.

Commodity Prices

One of the Best Barometers

By Roger W. Babson

ONE cannot do better, when studying this subject than to refer to Hon. Theodore E. Burton's book entitled "Crises and Depressions," in which, among other things he states:

"In the season of activity which precedes a crisis, prices rise. This rise begins after the worst of the previous depression has been reached. Attention has already been called to the fact that the rise in prices is unequal in different commodities. Iron and steel in their various forms, as well as other commodities required for construction, and those which supply new demands for consumption, show the most striking increases. During a depression prices of these commodities fall first and most notably. The prices of other commodities do not fall so much or so early. In the preceding season of expansion they do not rise so much, and, in their rise as well as in their fall, they show, for the most part, only a remote effect of the activity or inactivity of the time.

"As is well known it is the tendency of prices of iron and steel to reach and pass their maximum some time before the crisis occurs, though if the crisis be precipitated by an unexpected failure, the interval will be short or the high prices may continue until the very outbreak of the crisis.*

"In the United States, prior to the crisis of September 18, 1873, a low price level

*This is why the price of iron is tabulated each month—as a barometer for forecasting changes in general business; although commodity prices do not reach a minimum until one or two years after the stock market reaches its low point.

appeared in almost all grades of iron and steel in January, 1871. This was followed by a rapid and almost unbroken rise, culminating in the months of October and November, 1872. A maximum price of rolled bar iron, $118.72 at Philadelphia, was reached in October, 1872. The price fell, with slight fluctuations, to $80.64 in September 1873, the month of the crisis.

"In the depression which followed the crisis of 1873, prices of a majority of the varieties of iron and steel were lowest in the latter part of the year 1878, though steel rails and standard sections of iron rails dropped to a minimum in the closing months of 1877. The month of November 1878 may, however, be selected as the turning point. At that date No. 1 anthracite foundry pig iron was only $16.50 per gross ton, less than one-third the price of September 1872.

"In the expansion which followed 1878, prices reached their maximum in the months of January, February and March, 1880; but the highest figures were maintained only for a very short time. Anthracite foundry pig-iron, which had fallen to $16.50 in November 1878, rose to $41.00 in February, 1880; rolled bar iron to $85.12 in the same month; steel rails to $85; cut nails to $5.25 in the months of February and March, after the month of March, 1880, there was a sharp decline. Although interrupted by numerous fluctuations, a steady decline began after the closing months of the year 1882, and continued until another minimum was reached in the summer of 1885. The crisis of May 1884, occurred in the midst of this downward movement and seems to have exerted but little influence upon the iron market. Anthracite foundry pig iron fell to $17.75 in the months of June, July and August of 1885 and then began to rise. Rolled bar iron fell to $40.30 in May of the same year, and then was quoted at $40.32 for the remaining months of the year. Steel rails fell to $26 in the month of April.

After the minimum point in 1885 there was an upward movement continuing until the early months of 1887, the months of February and March of that year showing maximum prices in most varieties of iron and steel; this maximum was succeeded by a fall in the prices, which for most varieties reached a minimum in May and June 1889. This minimum was followed for a short time by rising prices, which reached a maximum in 1890. In the two decades after the maximum prices of 1880 the trend of prices differed from that in the preceding decade. Fluctuations were much more frequent and for nearly eighteen years the general tendency was downward, though interrupted by brief revivals in prices in the years 1882, 1886, 1887, 1890 and 1895. The rise in price which occurred in 1887 and other years proved to be greater than the increased demand would sustain. The general statement may be made that during this long period between 1880 and 1897, in fact until 1898, for there was only a slight rise in that year, and the average price of several forms were less than in 1897, the demand did not keep pace with the increasing supply, and improvements in production were constantly exerting their influence. The increase in price in the United States in 1887 was greater than in other countries. The reason for the difference may be found in the exceptional demands in the year 1887, for in that year occurred the most extensive railway building and the greatest consumption of steel rails. There was an exceptional deficiency in the home supply. There was also a revival of general activity in this country, the effect of which was conspicuous. It should be further noted that the crisis of this decade was much less severe than that of 1873, and the downward movement succeeding it, though long continued, manifested less decline in prices.

"After the high prices of 1890, there was a fall which continued until the month of July, 1897. This fall was more uniform than those after 1880 and 1887. It was interrupted only by a temporary revival beginning after April, 1895, and continuing until the latter part of the year. Beginning in July 1897 prices showed an upward tendency, but increases were slight until the beginning of 1899; then there was a very rapid rise until the latter part of the year, which continued with the exception of a very slight setback in 1903 to the depression of 1907-8.

"In the examination of these price

movements several marked tendencies appear:

"(1) The interval between the date of the maximum prices and the succeeding crisis is longer in the later years. This interval continued for a few months prior to the crisis of 1825 and 1837, nearly a year prior to that of 1873, and several years prior to the crisis of 1884 and 1893. This longer interval may be explained by the greater ability to carry accumulated stocks in expectation of a rise, the larger influences of speculation, and the absorption whenever prices decline, of larger quantities by the market now existing.

"These influences explain another tendency, viz.:

"(2) In later years fluctuations are more frequent. In the period after the downward price movement has commenced the market price breaks and then is restored again. It is evident that abundant capital for construction is waiting for investment and, even in case of a slight decline, purchases are large and tend to bring prices to the former level.

"(3) Since 1873 the maximum price reached in each cycle tends to be less than that in the preceding cycle. This is due to invention, to the lower cost of manufacturing on a large scale, and improvements of transportation. This tendency to lower prices is a part of the progress of the time and an essential feature in each depression.

"(4) The upward movement of prices continues for a much shorter time than the downward movement. The upward movement preceding the maximum of October and November 1872, continued for one year and nine months. The succeeding downward movement lasted until November 1878, or six years and one month. Then an upward movement continued until February, 1880, or one year and three months; the succeeding downward movement lasted approximately five and one half years, to the summer of 1885, to be followed by a rising movement interrupted in the United States in 1888 and 1889, of four and one-half years, or until January, 1890. It is to be noticed, however, that the rise in most grades of iron and steel for a year after the summer of 1885 was very slight. After January, 1890, the downward movement continued for seven and one-half years to July, 1897, when prices for a year were almost stationary, to be followed by rising prices, which continued until the end of 1899 or less than a year and a half.

"(5) The rapid rise which precedes a maximum price rarely continues for more than a year. If we take anthracite and Bessemer pig-iron as the best standard, it will be noticed that prior to the maximum price of anthracite, September 1872, prices rose from $37 in January of that year; prior to the maximum of $41 in February, 1880, prices had risen rapidly from $20.75 in August, 1897, or for six months; prior to the maximum of $19.90 in January, 1890, there was a rise from $17 in May, 1889, or for eight months; prior to the maximum of $25 for Bessemer pig iron in December 1899, there was a rapid rise from $11 in January of the same year, or for eleven months. In many respects the rise in 1899 was the most remarkable of all, because it had been considered by manufacturers in the preceding years that the equipment for production was sufficient to properly meet any increase of demand, and yet the rapid rise in that year was unprecedented. The great increase in the price of iron and steel in that year, with the steady increase in production after 1894, proves the more general use of these products for a greater variety of purposes and over an enlarged area."

For a general study of prices the merchant should select ten representative commodities such as wheat, corn, cotton, sugar, pig iron, pork, copper, wool, coffee and rubber and tabulate or plot the wholesale prices of these at regular intervals.

It will be noticed in studying general commodity prices that they do not fall materially after a year of panic, curtailment and depression; for this fact there are two explanations:

One of these attributes the persistence of prices on high levels to the continuous supply of gold, which is now being supplied at a rate of more than a million dollars a day. The other explanation finds the causes for the effect in question due to several different influences which have characterized the industrial and commer-

cial world for fully a decade. It is well worth while setting over against the single item of gold supply these other factors as part of the dynamics which have helped to lift the great plane of values to the level where it has, with proper exceptions and limitations, persistently stood for the past several years.

There are three at least, if not four substantial reasons why prices have risen so rapidly since the opening of this century and have been maintained so stubbornly.

First. The first factor is the enormous increase in the world's purchasing power arising from the annual increment of values in the output of mines, agriculture, forests and other extractive industries. It is figured conservatively that in the past ten years there has been taken out of the earth and the waters of the United States alone a sum of natural values amounting to $90,000,000,000, as follows:

Mineral output (ten years)..	$14,000,000,000
Agricultural products (ten years)	60,000,000,000
Lumber products (ten years)	12,000,000,000
Grazing, fishing, etc. (ten years)	4,000,000,000
Total for decade in United States	90,000,000,000

Second. Another factor in maintaining high prices is the expansion in the geographical area of productive enterprise over new territories which during the last decade have for the first time been fairly incorporated into the world's market. Within this period nearly the whole of Siberia has been added to the world's trading area, through the enormous outlay required to build the Trans-Siberia Railroad. Every foot of this trans-continental thoroughfare was accompanied by the creation of new demand for commodities, new capital for development, and by the manifestation of new power to purchase. What was done in Siberia in an extensive way has also been done in Japan, China, India, Egypt, Australia, Africa, South America, Mexico and Canada, since prices began their upward movement in 1897. The work of money, as well as the work of man and of his implements of production, has all been earning an increasing income, which almost immediately manifests itself in an expanding demand upon the industrial nations for their output.

Third. Thirdly, the maintenance of high prices is probably due to the rise of the standard of living which a decade of increasing wealth has first produced, and then established with a resisting power that even in times of depression resists with a new force any recession in its newly gained advantages.

Fourth. Finally there is a fourth factor behind existing price levels in the forms of the wastes of wars and in the millions of misdirected capital which have helped to enhance the costs of profitable production. The power behind high prices is not the uplift of gold but rather the aspiration of man, whether seen in the individual's impulse to gain income or in large-scale production to control markets. Gold as a dynamic element has its part, but as a measure of value it is a gauge rather than a cause.

Therefore the price of commodities is one of the best of business barometers and all merchants and bankers systematically tabulate each month the "Index Number" compiled by Bradstreet or others, supplemented with figures on the price of iron per ton.

The following conclusions are suggested relative to "Commodity Prices."

1. *During a Period of Business Depression.*

(a) An increase in commodity prices during a period of depression, *after a period of law commodity prices,* signifies that the depression has come to an end; but such an increase must be preceded by a distinct decrease to be a favorable sign.

(b) A decrease in commodity prices is normal and until said decrease no permanent change for the better can be expected.

(c) No change is often unsatisfactory.

2. *During a Period of Improvement Following a Period of Depression.*

(a) An increase following a decrease signifies that the period of improvement is progressing satisfactorily.

(b) A decrease also signifies that the period of improvement is progressing satisfactorily.

(c) No change signifies that caution should be used.

3. *During a Period of Prosperity.*

(a) A great increase in the commodity price is one of the signs of the end of this period.

(b) A decrease is very unusual and should be carefully investigated.

(c) No change signifies normal conditions.

4. *During a Period of Decline Following a Period of Prosperity.*

(a) An increase is not unusual as commodity prices usually continue to increase about one year after the decline in stocks takes place.

(b) A decrease signifies that the period of decline is progressing satisfactorily.

(c) No change is normal at the beginning of this period.

Studies in Tape Reading.

By Rollo Tape

Author of "Powers Behind the Market," "The Machinery of Manipulation," &c.

XI. Obstacles to be Overcome—Possible Profits

MENTAL poise is an indispensable factor in Tape Reading. The mind should be absolutely free to concentrate upon the work; there should be no feeling that certain things are to be accomplished within a given time; no fear, anxiety or ambition.

When a Tape Reader has his emotions well in hand, he will play as though the game were dominoes. When anything interferes with this attitude it should be eliminated. If, for example, there be an unusual series of losses, the trader had better suspend operations until he discovers the cause.

Following are some of the obstacles which are likely to be encountered:

1. One may be trading too often. Many opportunities for profit develop from each day's movements; only the very choicest should be acted upon. There should be no haste. The market will be there to-morrow in case to-day's opportunities do not meet requirements.

2. Anxiety to make a record, to avoid losses, to secure a certain profit for the day or period will greatly warp the judgment, and lead to a low percentage of profits. Tape Reading is a good deal like laying eggs. If the hen is not left to pick up the necessary foods and retire in peace to her nest, she will not produce properly. If she is worried by dogs and small boys, or tries to lay seven eggs out of material for six, the net proceeds may look like an omelet.

The Tape Reader's profits should develop naturally. He should buy or sell because it is the thing to do—not because he wants to make a profit or fears to make a loss.

3. The market may be unsuited to Tape Reading operations. When prices drift up and down without trend, like a ship without a rudder, and few positive indications develop, the percentage of losing trades is apt to be high. When this condition continues it is well to hold off until the character of the market changes.

4. One's broker may be giving poor service. In a game as fine as this, every fraction counts. Executions of market orders should average not over two minutes. Stop orders should be report-

ed in less time as such orders are on the floor and at the proper post when they become operative. By close attention to details in the handling of my orders, I have been able to reduce the average time of my executions to less than one minute. The quickest report obtained thus far required but twenty-five seconds. To the best of my knowledge this is a record for New York Stock Exchange executions of orders given from an office.

A considerable portion of my orders are executed in from thirty to forty seconds, varying according to whether my broker is near the 'phone or in a distant crowd when the orders reach the floor and how far the definitive "crowd" is from his 'phone.

I have arranged a special order slip which distinguishes my orders. It reads:

BUY AT THE OFFERED PRICE AND REPORT INSTANTLY

The selling slips read, *"Sell at the bid price and report instantly."* Such orders leave nothing to the discretion of the broker. He cannot "try to do better" than the momentary bid or offered price. Like Paddy at the wake, his business is to "hit the first man who opens his mouth."

Ordinarily it is expected and is really an advantage to the general run of speculators to have the broker use some discretion; that is, try to do better, providing there is no chance of losing his market. But I do not wish my broker to act thus for me. My indications usually show me the exact moment when a stock should be bought or sold and a few moments' delay often means a good many dollars lost.

With the execution of orders reduced to a matter of seconds, I can also hold stop orders in my own hands and when the stop price is reached, 'phone the order to buy or sell at the market. Results are very satisfactory as my own broker handles the orders and not the specialist or some other floor broker.

To return to the question of mental equilibrium, the Tape Reader should be careful to trade only in such amounts as will not interfere with his judgment. If he finds that a series of losses upsets him it is an easy matter to reduce the number of shares one-half or a quarter of the regular amount, or even to ten shares so that the dollars involved are no longer a factor. This gives him a chance for a little self-examination.

If a person is in poor physical condition or his mental alertness below par for any reason, he may be unable to stand the excitement attending the work. Loss of sleep, for example, may render one unfit to carry all the quotations in his head, or to plan and execute his moves quickly and accurately. When anything of this kind occurs which prevents the free play of all the faculties it is best to bring the day's work to a close.

Some of my readers think it futile to aim for a fractional average profit per trade when there are many full points per day to be made by holding on through days and weeks and getting full benefit of the big moves. Admitting that it is possible to make many more points at times there is a risk of losses corresponding to the profits and the question is not how much we can *make,* but how much we can make *net.*

Tape Reading reduces profit-making to a manufacturing basis.

To show how the nimble eighths pile up when their cumulative power is fully employed, I have prepared a table representing the results of 250 trading days, starting with a capital of $1,000. It is assumed that the Tape Reader has reached that stage of expertness where he can

average one trade a day and a profit of $12.50 per trade, and that as fast as $1,000 is accumulated he adds 100 shares to his trading unit.

I can hear the expressions of those who look over these figures: "Oh! That looks all very well on paper, but wait till it comes to doing it in the market."

These results depend solely upon the Tape Reader's ability to make ⅛ more than he loses per day. There is no limit

What a profit of 1-8 per day would amount to in 250 days if profits were used as additional margin.

100 shares	$12.50 a day	$1,000.00 in	80 days
200 "	25.00 "	1,000.00 "	40 "
300 "	37.50 "	1,012.50 "	27 "
400 "	50.00 "	1,000.00 "	20 "
500 "	62.50 "	1,000.00 "	16 "
600 "	75.00 "	1,050.00 "	14 "
700 "	87.50 "	1,050.00 "	12 "
800 "	100.00 "	1,000.00 "	10 "
900 "	112.50 "	1,012.50 "	9 "
1000 "	125.00 "	1,000.00 "	8 "
1100 "	137.50 "	962.50 "	7 "
1200 "	150.00 "	1,050.00 "	7 "
		$12,137.50 in	250 days
Interest . .		0	
Tax			$1,942.00
Net Profit . . .		$10,195.50	

to the number of shares he can trade in, provided he has the margin. If he is at all proficient his margin will not be depleted more than a few points before he makes up his losses and more. He is not pyramiding in the ordinary sense of the word; he is simply doing an increasing volume of shares as his capital expands. All progressive business men increase commitments as fast as warranted by their capital and opportunities.

Assuming that there are about three hundred Stock Exchange sessions in the year, the two hundred and fifty days figured represents five-sixths of a year or ten months. From that time on, having struck his gait, the Tape Reader can, without increasing his unit to over 1200 shares make $900 a week or $46,-800 a year.

One trader who for years has been trying to scalp the market and who could never quite overcome the "kitty," reports that his first attempts at applying these rules resulted in a loss of about $20 per trade. This he gradually reduced to $12, then to $8, finally succeeding in throwing the balance over to the credit side and is now able to make a daily profit of from $12 to $30 per 100 shares. This is doing very well indeed. I have no doubt that his profits will continue to increase.

Some people seem to hold the opinion that as the profits desired are only ⅛ average per trade one should limit himself in taking profits. Perhaps I have not made myself clear in this respect.

I buy and sell when I get my indications. In going into a trade I do not know whether it will show a profit or a loss, or how much. I try to trade at a

point where I can secure protection with a stop from ¼ to ½ point away, so that my risk is limited to this fraction plus commission and tax. If the trade goes in my favor I push the stop up as soon as possible, to a point where there can be no loss.

I do not let profits run blindly but only so long as there appears no indication on which to close. No matter where my stop order stands, I am always on the watch for danger signals. Sometimes I get them way in advance of the time a trade should be closed; in other instances my "get out" will flash onto the tape as suddenly and as clearly defined as a streak of lightning against a black sky.

When the tape says "get out" I never stop to reckon how much profit or loss I have or whether I am ahead or behind on the day. I strive for an increasing average profit but I do not keep my eye so much on the fractions or points made or lost, so much as on myself.

I strive to perfect myself in clear-headedness, quickness of thought, accuracy of judgment, promptness in planning and executing my plays, foresight, intuition, courage and initiative. Masterful control of myself in these respects will produce a winning average—it is merely a question of practice.

To show how accurately the method works out in practice, I will describe one recent day's trading in which there were three transactions, involving six orders (three buying and three selling). *The market did not go one-eighth against me in five orders out of the six.* In the sixth, the stock went ⅝ above the selling price at which my order was given. I have never seen nor heard of this feat being accomplished before by anyone in Wall Street. Details follow:

I had no open trades. Kansas City Southern, which had been intensely dull, came on the tape 2600 at 46¾. I gave a buying order and before it could reach the "post" the Tape said 46⅞ and 47. The stock rose steadily and after selling at 48⅝ and coming back to 48½ I gave the selling order. It has not touched 48⅝ again up to now.

The next trade was in Reading. I saw that it was being held in check in spite of its great strength. The stock had opened at 158. After a certain bulge I saw the reaction coming. When it arrived, and the stock was selling at 157½, I gave the buying order, got mine at 157⅝ and it has not been there since. It immediately rose to 158¾. I noted selling indications and gave the order while the stock was at that price on the tape. It did not react sufficiently to warrant my picking it up again and later went to 159⅜, which was ⅝ above my selling indication.

Southern Pacific suddenly loomed up as a winner and I bought it at 135. It promptly went to 135½. The rest of the market began to look temporarily over-bulled, so I gave my order to sell when the stock was 135½, which proved to be the highest for the day, making the fifth time out of six orders when my stock moved almost instantly in my favor.

This illustration is not prompted by egotism. It is given as an example of the high percentage of accuracy possible under this method of trading. I do not pretend to be able to accomplish these results except occasionally, but I am constantly striving toward being able to do so in a large percentage of my trades.

If one makes 2⅜ points one day and loses 2 points in the next two days, he is ⅜ ahead for the three days, or an average of ⅛ per day. He may have losing and winning streaks, get discouraged and lose his nerve at times, but if he is made of the right stuff he will in time overcome all obstacles and land at the desired goal.

(To be concluded in the October Issue.)

NOTE.—This series will be followed by another set of "Studies," by Rollo Tape, designed for those traders who cannot attend their brokers' offices.

Observations

THERE is a class of men in this country—more numerous than might commonly be supposed—who have, from time to time, at least a moderate amount of money to invest, but who are so absorbed in making good the larger investments of others that they have no time in which to study the investment problem for themselves.

There are hundreds, if not thousands, of men in the United States who hold high executive positions in great industrial organizations, and who receive what the public regards as big salaries, who are little less than slaves of their responsibilities, and who are so completely absorbed in their own specialized tasks that they do not have one day in a month to give to the study of their own private affairs.

More than this, the "high-salaried hired man," as he is sometimes called, is often unfitted by the very nature of his specialized work and its associations for the proper selection of investments into which to put his surplus funds, even if he had the time to study them. He is a specialist along some certain line—probably a very narrow one—and his whole being is so saturated and colored by that work and its environment that he becomes, in a sense, temperamentally disqualified for the exercise of clear and intelligent judgment in the difficult field of investment selection.

This brings me to the main suggestion which I have to offer: That men of this class—those giving their lives to the service of great enterprises—should stick to the safest of standard securities, be content with a comparatively low rate of return, and not attempt to put their money into things which promise a big interest, big dividends or big profits. There are a number of men in the class to which I refer who receive salaries of twenty-five thousand dollars a year—and even more than that. Most of them are fairly sensible men, and, although they live well—perhaps luxuriously—they have a very respectable sum to put aside out of their earnings every year.

As I see it, the man of this class should, first of all, be a liberal investor in life insurance with the standard companies. He can hardly overdo the matter so long as he insures only in the very solid companies.

Next, he will do well, so it seems to me, to buy the best securities on the market—those which are at the head of the list on the score of security, even if at the bottom of the list in point of their rate of interest. Very likely he will not get more than 4 to 4½ per cent. from securities of this rank—those which are of the first-mortgage type.

At any rate, he will not have to give any of his time to the work of selection or take any chances if he sticks consistently to this line of securities.

Then, too, he can have before him the alternative that, if he comes to a point where he wishes to retire from his position as a "hired man," and give his attention to his own personal affairs, he will be able to convert his investments of this character into ready cash as fast as he may wish it for new investments promising a higher rate of return.—J. C. Stubbs, in the *Saturday Evening Post.*

"If you stand near a good thing," says Andrew Carnegie, "Plunge well into it. Fear is old womanish; it has kept untold millions from making fortunes."

An estimate has been made that the ownership of American railways is divided among 430,000 stockholders.

The only sure way that a man can get rich quick is to have it given to him or to inherit it.

When a speculator wins he don't stop until he loses. When he loses he can't stop until he wins.

The Bargain Indicator

New Issues, Forging to the Front

ATCHISON'S full year showed about 13½ per cent.—not quite up to the preliminary estimates. Its price is four points higher than last month, and earnings on price now amount to 11.2 against 12.4 last month, its increased market quotation has not resulted in its falling to the rear.

UNION PACIFIC is a notable instance of the changes produced by a rising market, its price being eleven points higher. It is now in sixth position, having been passed by four of the minor issues.

PITTSBURG, CIN., CHGO. & ST. L. is given second place this month. In former calculations, allowance was not made for the amount being buried in improvements, in accordance with Pennsylvania's policy. Its actual earnings on par, allowing for the above, figure 9.4.

TOLEDO, ST. LOUIS and WESTERN common has improved nearly 1 per cent. in earnings against an advance of only three points in price. It is therefore entitled to third position.

CHICAGO & ALTON common is quoted at the same figure as previously and is again showing an improvement in earnings. It is now in fourth position.

The same is true of COLORADO AND SOUTHERN common which is now in fifth place.

LOUISVILLE & NASHVILLE has fallen back three notches. Although its earnings are higher, its price is seven points above last month and earnings on price are about the same.

NORFOLK & WESTERN has fallen back five places, owing largely to its enhanced market price.

ROCK ISLAND preferred is now earning 4.2 on par against only 2 per cent. last month. It has advanced from No. 33 to No. 22.

READING'S earnings are practically unchanged, and it would seem that its nine-point rise was due more to extraordinary developments which may be pending than to actual earnings. Its position in the scale is two places lower.

MINNEAPOLIS & ST. LOUIS preferred occupies a lower position, owing to increased fixed charges.

DENVER common is making a better showing, both as to earnings on par and price.

WISCONSIN CENTRAL common is evidently feeling the effects of its new parentage.

NEW YORK CENTRAL is showing very heavy gains in net earnings, but its advance in quotations seem to keep pace.

It is interesting to note how the various issues advance to the head of the column, enjoy their rise and then drop back, their place being taken by others of greater momentary earnings on price.

Taking the leaders as a whole, the earnings on price are gradually decreasing, the principal reason therefor being the important rise which has occurred. As earnings on price gradually shrink, we are coming nearer to the pinnacle of this movement. When another panic arrives, the percentage in the last column will doubtless be doubled in many cases.

Industrials

AMERICAN BEET SUGAR again stands at the head of the industrial list, while Sloss-Sheffield and U. S. Realty have changed places.

CORN PRODUCTS preferred has worked into fourth place.

U. S. STEEL common, based on its latest report, is showing 7.6 on par and a higher percentage on price than last month. It is therefore in fifth position.

U. S. RUBBER has enjoyed quite a rise and has dropped back a couple of places.

Other changes are unimportant.

THE BARGAIN

TABLE SHOWING WHICH STOCKS

RAILROADS

BASED ON PRESENT EARNING POWER AS COMPARED WITH MARKET PRICE

Pos.		Est. rate present earn. on par.	Price Aug. 9, '09.	Earnings on price.
1	Atchison com.	13.5%	120	11.2%
2	Pittsburgh, Cin., Chicago & St. Louis com.	9.4	92	10.2
3	Toledo, St. Louis & Western com.	5.3	54	9.8
4	Chicago & Alton com.	6.6	69	9.6
5	Colorado & Southern com.	5.5	57	9.6
6	Union Pacific com.	18.8	204	9.2
7	Louisville & Nashville	13.6	148	9.2
8	Norfolk & Western com.	8.5	96	8.8
9	Chesapeake & Ohio	6.4	80	8.0
10	Atlantic Coast Line	10.6	135	7.9
11	Minneapolis, St. Paul & S. S. M. com.	11.4	145	7.8
12	Southern Pacific com.	10.5	136	7.7
13	Kansas City Southern com.	3.7	48	7.7
14	Pennsylvania	9.6	142	6.7
15	Chicago & Northwestern com.	12.3	193	6.4
16	Delaware & Hudson	12.4	196	6.3
17	Northern Pacific com.	9.0	156	5.8
18	Baltimore & Ohio com.	6.9	120	5.7
19	Missouri Pacific	4.3	77	5.6
20	Brooklyn Rapid Transit	4.4	81	5.4
21	N. Y. Central	7.6	141	5.4
22	Rock Island pfd.	4.2	77	5.4
23	Reading com.	8.6	164	5.2
24	Canadian Pacific	9.7	187	5.2
25	Great Northern	7.8	155	5.0
26	Ontario & Western	2.5	52	4.8
27	Illinois Central	7.5	157	4.8
28	N. Y., New Haven & Hartford	8.1	171	4.7
29	St. Louis Southwestern pfd.	2.9	68	4.2
30	Southern Railway com.	1.2	32	3.8
31	Cleve., Cin., Chic. & St. Louis com.	2.6	75	3.5
32	St. Paul com.	5.4	162	3.3
33	Minneapolis & St. Louis pfd.	2.8	84	3.3
34	Denver & Rio Grande com.	.9	51	1.7
35	Missouri, Kansas & Texas com.	.7*	43	1.4
36	Erie com.	.4	38	1.0
37	Wisconsin Central com.	.5	58	.8
38	Texas Pacific	.0	36	.0
39	Wabash pfd.	.0	58	.0
40	Wabash com.	.0	22	.0
41	St. Louis Southwestern com.	.0	28	.0
42	Rock Island com.	.0	40	.0
43	Minneapolis & St. Louis com.	.0	54	.0
44	Duluth, South Shore & Atl. pfd.	Deficit	33	Deficit
45	Duluth, South Shore & Atl. com.	Deficit	17	Deficit
46	Iowa Central pfd.	Deficit	56	Deficit
47	Iowa Central com.	Deficit	32	Deficit

*After deducting additions and betterments.

INDICATOR

ARE THE BEST PURCHASES NOW

INDUSTRIALS, &c.

BASED ON REPORTS RECEIVED SINCE OCTOBER 1, 1908

Pos.	Date of report.		Earnings on par.	Price Aug. 9, '09.	Earnings on price.
1	Mar. 31, 1909.	American Beet Sugar com...	7.0%	47	14.9%
2	Apr. 30, 1909.	U. S. Realty & Improvement.	9.2	83	11.1
3	May 31, 1909.	Sloss-Sheffield com.	9.4	87	10.8
4	Feb. 28, 1909.	Corn Products pfd.	9.5	89	10.7
5	June 30, 1909.	U. S. Steel com.	7.6	77	9.9
6	Mar. 31, 1909.	U. S. Rubber com.	4.3	46	9.3
7	Jan. 31, 1909.	Union Bag & Paper pfd......	7.1	78	9.1
8	Dec. 31, 1908.	Int. Harvester com.	7.8	89	8.7
9	Oct. 31, 1908.	Amer. Ice Securities	3.2	38	8.5
10	Oct. 31, 1908.	Amer. Smelt. & Ref. com....	8.4	100	8.4
11	Dec. 31, 1908.	Amer. Can pfd.	6.6	84	7.8
12	June 30, 1909.	Republic Iron & Steel pfd...	8.0	108	7.4
13	May 31, 1909.	Amer. Tel. & Tel.	10.5	143	7.3
14	June 30, 1909.	Western Union	5.5	76	7.2
15	Jan. 31, 1909.	Nat'l. Biscuit com.	7.4	106	7.0
16	Dec. 31, 1908.	Peoples Gas	7.8	116	6.7
17	Dec. 31, 1908.	Nat'l. Lead com.	5.7	91	6.2
18	Dec. 31, 1908.	Amer. Sugar com.	7.5	133	5.6
19	Dec. 31, 1908.	North American	4.8	86	5.6
20	Mar. 31, 1909.	Int. Steam Pump com.	2.2	41	5.4
21	Dec. 31, 1908.	Railway Steel Springs pfd...	5.6	108	5.1
22	Feb. 1, 1909.	Mackay com.	4.0	83	4.8
23	Dec. 31, 1908.	Utah Copper (par ($10)	23.3	$52	4.5
24	Jan. 31, 1909.	Gen'l. Electric	7.4	172	4.3
25	Dec. 31, 1908.	Tenn. Copper (par $25)*.....	6.5	$40	4.1
26	May 31, 1909.	Pacific Coast com.	3.8	95	3.9
27	Apr. 30, 1909.	Amer. Car. & Fdy. com.	2.6	69	3.8
28	Dec. 31, 1908.	Bethlehem Steel pfd.	2.4	65	3.7
29	Dec. 31, 1908.	Central Leather com.	1.3	37	3.5
30	Dec. 31, 1908.	Amer. Woolen pfd.	3.7	106	3.5
31	Dec. 31, 1908.	Ingersoll-Rand com.	2.1	70	3.0
32	Dec. 31, 1908.	Consolidated Gas.	4.1	144	2.8
33	Apr. 30, 1909.	Amalgamated Copper	2.3	86	2.6
34	Dec. 31, 1908.	N. Y. Air Brake	2.4	97	2.5
35	May 31, 1909.	U. S. Cast Iron Pipe pfd.	1.3	84	1.5
36	Dec. 31, 1908.	Pressed Steel Car pfd.	1.2	110	1.1
37	July 31, 1909.	Amer. Steel Fdy.	.7	63	.1
38	Dec. 31, 1908.	Amer. Can. com.	.0	13	.0
39	Jan. 31, 1909.	Union Bag & Paper com.	.0	13	.0
40	Feb. 28, 1909.	Corn Products com.	.0	25	.0
41	Dec. 31, 1908.	Bethlehem Steel com.	.0	33	.0
42	Dec. 31, 1908.	Republic Iron & Steel com...	.0	39	.0
43	Dec. 31, 1908.	Amer. Woolen com.	.0	39	.0
44	Dec. 31, 1908	Pressed Steel Car com.	.0	54	.0
45	Dec. 31, 1908.	Railway Steel Springs com...	.0	54	.0

Convertible Securities

An Argument in Their Favor Which Most Bankers Have Overlooked

THE tremendous output of convertible securities in the last few years has brought so many new conditions upon the investor, and more particularly upon the investment banker, that the lack of complete data regarding such has entailed hardships in the buying and selling of "convertibles." There are so many things to consider regarding the advisability of the purchase of this or that convertible; whether it is more desirable to buy a certain convertible security rather than the stock exchangeable therefor; and a thousand and one other similar queries, that there is great necessity for accurate facts instantly obtainable in relation thereto.

Mr. Montgomery Rollins has rendered the Street a lasting service by compiling in his new book entitled "Convertible Securities" complete tables showing the prices of the various convertible securities on the market, together with their equivalent in the market quotations of the securities into which they are exchangeable. The book also contains an appendix comprising extracts from Trust Deeds and Financial Circulars relating to conversion, redemption, dividend and interest adjustments, etc., in the case of each convertible security. Many of these securities, being exchangeable on the basis of ten shares of stock for each one thousand dollar bond, need no detailed description or equivalent tables; but when one undertakes to figure out issues such as American Telephone and Telegraph Co. Convertible 4 per cent. debentures, the conversion price of which is 133.7374, he will readily appreciate the value and convenience of Mr. Rollins' tables.

It is surprising how many experienced bankers are at a loss to explain the technicalities of certain convertible issues. This being the case, we are warranted in excusing deficient knowledge on the part of the investor, who depends more or less upon the literature issued by his banking house for a thorough understanding of these matters. As Mr. Rollins says:

A condition often confusing to the investor and sometimes to the banker less experienced in regard to convertibles, is encountered in issues where the conversion privilege becomes operative at some future date. To make this clear, we will select a particular issue, and analyze it in this regard.

The New York, New Haven & Hartford 6 per cent. Convertible Debentures can not be exchanged for the company's stock until after January 15th, 1923, which, for the sake of convenience, we will call fourteen years from the present time. Conversion may then be effected on the basis of equal face value of bonds for stock, i. e., 10 shares of stock of $100 par value, for each $1,000 in bonds.

The bonds bear 6 per cent. interest; the stock pays 8 per cent. dividends. An investor presents his banker with the problem of selecting the more profitable investment of the two, and, strange to relate, some of the very best financiers are at a loss to give the proper advice.

In all this, we will disregard the fact that the true essence of a convertible issue is its greater security, with the speculative feature—conversion—as a secondary matter. The investor merely goes on the supposition that the New Haven stock is paying, and will continue to pay, indefinitely, 8 per cent., and the banker advises him in accordance with that premise.

In this illustration, we will suppose that the bonds are selling at 134 and the stock at 157. We will, likewise, eliminate the matter of commissions, because one would have to be paid whichever of the securities were purchased.

Ten shares of the stock, at the above figure, would cost $1,570, and one bond

—no accrued interest—$1,340, making a difference of $230. This latter sum represents the increased exependiture required in the purchase of an equal par value of stock over a $1,000 bond. There would, therefore, be a saving on the original investment of that amount, if the bond were purchased.

We are now faced with two propositions; whether we shall deposit this difference of $230 in a savings bank, and let it compound at some such fair rate of interest as 4 per cent. for fourteen years, or invest it in New Haven stock —this increased amount will permit the purchase of 10 shares—paying us $20 a year; for that is exactly the added income derived from placing the difference in the stock. That is, we invest $230 more to obtain $20 a year larger income.

If, therefore, we place the $230 in a savings bank, we have, by compound interest—quarterly—at the end of the period, $401.54. If we invest it in New Haven stock, paying $20 a year, or $5 each quarter year, and compound these sums at 4 per cent. until January 15, 1923,, we have $372.90.* Up to this point, we have a difference of only $28.64 in favor of the bond.

So far, any banker would advise his client, without difficulty, but he is then met with the problem as to whether or no he must consider his bond as an obligation of definite maturity, and, therefore, treat it as an ordinary bond, purchased at a premium, and determine the net yield by using the ordinary tables of bond values, and thus provide a sinking fund to liquidate the premium paid; or whether he shall treat it as an irredeemable security, like a stock. It must surely be the latter way, because the whole argument is based upon its eventually being converted into stock, and thus becoming an irredeemable security. This being so, as any two securities of this nature approach the date when conversion becomes operative, and provided the stock, on its investment value, is nominally quoted above that of the bond, the two securities will come together in price. In the New Haven case, it is only fair to assume, as we base our conclusions upon 8 per cent. being maintained as the dividend rate, that, as we approach January 15th, 1923—the conversion date—the price of the bond and that of the stock will come together, the former increasing proportionately. It will be plain, however, as is evidenced by the present market conditions of the General Electric Convertibles,† and everything else being equal, that, as we reach nearer and nearer such a conversion point, the bonds will increase above their intrinsic investment value.

Assuming that, on January 15th, 1923, the price of the New Haven stock will be the same as to-day, viz., 157, we cannot ignore the increment of the bond over its present quotation of 134, viz., $230, and this we must add to the $401.54 found in the savings bank at the end of the period, and thus obtain a total of $631.54, which shows that the argument for the purchase of the bond rather than the stock is as $631.54 is greater than $372.90, or $258.64 in favor of that investment.

It is this increment value of the bond which so many have lost sight of. If the price of New Haven stock, fourteen years hence, is 175 or higher, it but adds that much to the argument for the original purchase of the bond. It must be clearly borne in mind that bonds of this nature are not terminable investments, but in all transactions where conversion is intended, and where the conditions are, supposedly, so favorable for conversion as in that of the New Haven, they assume the characteristics of an irredeemable security, and under such conditions it is not fair to use bond values tables in computing the net returns, but stock tables instead, always supposing that the New Haven, or whatever the stock may be, will maintain dividends tending to profitable conversion.

In the foregoing, the compounding of

*There are certain matters to be considered in this calculation, which result in a slight inaccuracy in the above, but which may be disregarded for purposes of this illustration, such as the fact that the first dividend payable after the date we are taking—January 15th, 1909—would be March 31st, 1909, and the last dividend for the even fourteen years' period could not be included, as it would fall due—March 31, 1923—after the conversion date.

†The General Electric Company 5% debentures may be converted into stock of equal par value beginning with June 1, 1911, or at the end of 2 years 4½ months. The bonds actually mature Dec. 1, 1917, or in 8 years, 4½ months. They are quoted at 140 (offered). At this figure, considering the bonds in the customary light of redeemable investments, the net return is practically zero.

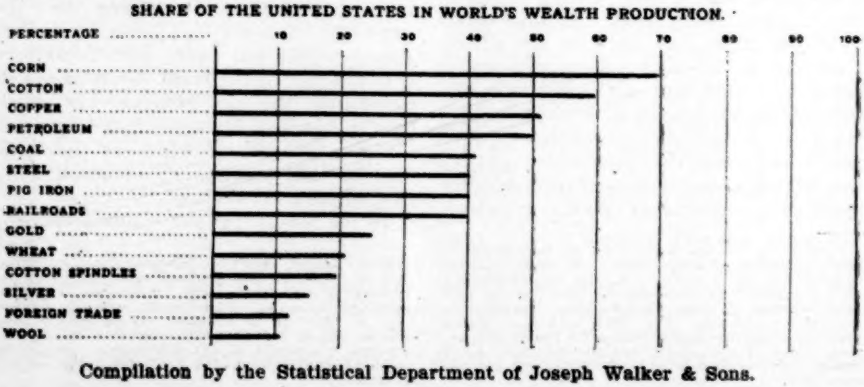
the $5 quarterly dividends from the $230 invested in stock, on the supposition that these sums could be deposited in savings banks so as to begin to draw interest immediately from the dates when paid by the company, is not in accordance with practice. The rules of such institutions in relation to money deposited beginning to draw interest would often result in its lying idle for days, or possibly weeks. In allowing for compounding at 4 per cent. quarterly, the stock investment has been put in a light rather more favorable than experience would warrant. But by compounding in this manner it treats each of the investments without partiality. This argues still more for the bond purchase, so, taking it all in all, the investor in a New Haven 6 per cent. Convertible Bond may accept the same for its true "reason of being" without any detriment to his pocketbook.

A Wonderful Quarter Century

	1885.	1909.
Population	56,000,000	90,000,000
Urban population	14,000,000	30,000,000
Wealth	$55,000,000,000	$125,000,000,000
Per capita wealth	$900	$1,400
CROPS:		
Cotton (bales)	6,000,000	13,000,000
Wheat (bushels)	500,000,000	700,000,000
Corn (bushels)	2,000,000,000	3,000,000,000
Farm products	$2,300,000,000	$7,800,000,000
MINES:		
Gold	$31,000,000	$96,000,000
Silver	$42,000,000	$32,000,000
Copper (tons)	75,000	450,000
Iron (lake ore, tons)	2,500,000	42,000,000
Coal (tons)	100,000,000	400,000,000
Petroleum (gallons)	1,000,000,000	5,000,000,000
RAILROADS:		
Miles	128,000	240,000
Capital	$8,000,000,000	$17,000,000,000
Earnings	$800,000,000	$2,600,000,000
Freight (tons)	440,000,000	1,800,000,000
Passengers	380,000,000	900,000,000
Dividends	$75,000,000	$300,000,000
ELECTRICITY:		
Telegraph messages	45,000,000	100,000,000
Bell telephone stations	150,000	4,400,000
Electric railways (miles)	0	50,000

MANUFACTURERS:	1885.	1909.
Workers	3,600,000	6,000,000
Products	$7,500,000,000	$16,000,000,000
Pig iron (tons)	4,000,000	26,000,000
Steel (tons)	1,700,000	25,000,000
Cotton	$230,000,000	$500,000,000
SHIPPING:		
Foreign trade (tons)	1,300,000	900,000
Lake trade (tons)	750,000	2,500,000
BANKING:		
Bank clearings	$50,000,000,000	$160,000,000,000
New York clearings	$25,000,000,000	$100,000,000,000
National banks	2,700	7,000
National bank capital	$526,000,000	$800,000,000
Bank deposits	$3,000,000,000	$13,000,000,000
Savings banks deposits	$1,000,000,000	$3,500,000,000
Savings banks depositors	3,000,000	9,000,000
INSURANCE:		
Life insurance policies	2,500,000	25,000,000
EDUCATION:		
Students in colleges	42,000	140,000
Books in public libraries	20,000,000	70,000,000
Newspapers & periodicals	14,000	22,000
GOVERNMENT FINANCE:		
Receipts	$320,000,000	$600,000,000
Expenditures	$260,000,000	$700,000,000
Money in circulation	$1,300,000,000	$3,000,000,000
Circulation per capita	$23	$35

SHARE OF THE UNITED STATES IN WORLD'S WEALTH PRODUCTION.



Compilation by the Statistical Department of Joseph Walker & Sons.

The Nature of Stock Speculation

By Thomas F. Woodlock*

WE are to consider in these lectures the general subject of speculation in stocks. It is assumed at the outset that the nature of a stock is understood—that is, what it is and what it represents. We must begin with certain elementary ideas and definitions.

Speculation properly understood is an effort to foresee the future and make profit by so doing and in this sense it enters more or less into all human business activities.

The future is always more or less uncertain. In so far as it can be partially foreseen, speculation generally is scientific and in considering the nature of a given kind of speculation, it is necessary to determine how far foresight of the future is attainable in that particular kind and upon what principles it is determinable. Consequently in considering speculation in stocks we have to determine how far the future movements of stock prices can be foreseen and what are the principles which govern price movements.

The subject naturally divides itself into these parts, viz.:

First: The Nature of Stock Speculation.

Second: The Principles of Price Movement.

Third: The Principles and Difficulties of Speculation.

Fourth: The Ethics of Speculation.

In dealing with the first part, "The Nature of Stock Speculation," we must begin with some definitions and distinctions.

Speculation is frequently confounded with *stock-gambling* on the one hand and with *investment* on the other hand. By distinguishing the three things we can arrive at a definition of speculation which will serve our purpose.

The essence of *gambling* is the making of a contract the outcome of which is to be determined by a future which is absolutely unknown and therefore wholly uncertain—as matching pennies, shaking dice, cutting cards, etc.

Stock-gambling therefore is buying and selling stocks at random without any intelligent attempt at foresight.

The essence of *investment* is the placing of capital in a more or less permanent way, mainly for purposes of income therefrom. Investment in stocks means the purchase of stocks mainly for the sake of the dividend return that they give. It is further to be noted that investors for the most part use their own capital exclusively, paying outright for what they buy and selling only what they actually own.

Stock speculation differs from stock gambling just in so far as intelligent foresight of the future is possible and is attempted by the speculator.

Stock speculation differs from investment, first, in that it is undertaken mainly for profit to come from changing prices and not mainly for income return in dividends, and second, in that the speculator for the most part expects to use borrowed capital in his operations.

It is not always easy to distinguish between investment and speculation according to the first line of differentiation because most investors in placing their capital do so with an eye to its enhancement through rising prices. The second line of demarcation may however be relied upon.

It is frequently very hard to distinguish between speculation proper and mere stock-gambling in practice, as the distinction arises from and depends upon the knowledge, foresight and aptitude of the person who specu-

*From the first of a series of lectures delivered at the New York Y. M. C. A.

lates. What is speculation for one man may be mere gambling for another.

We may define stock speculation as the art of employing borrowed capital in the purchase or sale of securities for profit to be derived from future changes in price foreseen by the speculator.

We shall attempt later to describe the principles which govern the movement of prices and which warrant us in the statement that scientific speculation is possible. We must now describe the machinery through which speculation is carried on.

In all civilized countries there are stock exchanges where securities are bought and sold. In some of them purchases and sales are made on the basis of monthly settlements, in some on the basis of semi-monthly settlements and in some on the basis of settlements daily. All however are organized on the basis of actual delivery of and payment for securities bought and sold and each transaction contemplates a cash settlement sooner or later. Consequently, whoever buys or sells stocks on one of the great exchanges must be prepared to pay for what he has bought and deliver what he has sold when settlement day comes, whether it be monthly, semimonthly, weekly or daily.

A speculator, however, when he buys a stock does not expect to pay for it wholly from his own resources—if he did he would be merely an investor—he reckons on borrowing for a time a large part of the cost price from someone else. And when he sells a stock that he does not own (short) he reckons on borrowing for a time the stock from some one else to make delivery to the buyer. In other words the speculator is always a *borrower* either of *stocks* or *money*. Facilities exist at all the important exchanges for both kinds of borrowing.

When money is borrowed to pay for stocks the lender is secured by deposit of collateral security of sufficient value, the disposition of which may be vested in the borrower in case he fails to pay the loan when due. The lender of money of course receives interest on his money for the period of the loan at an agreed rate.

When stocks are borrowed for delivery on "short sales" the lender of the stock receives the money value of the stock from the borrower on which money he pays interest to the borrower of the stock. The borrower of the stock pays the lender whatever dividends are declared on the stock during the period of the loan.

The difficulty which most people find in comprehending the nature of "short sales" is in their not really realizing the fact that stocks can be borrowed as readily as can money. The speculator who borrows either money or stocks must give security, for his borrowings and lenders usually demand a margin which is supplied by the speculator's own capital. This margin is designed to protect lenders of either money or stocks in the event of price changes and assure them of the return of either the money or the stocks (as the case may be) by the borrower thereof.

The broker usually undertakes the financing of his customer's operations and borrows the money or the stock required, engaging his own credit for that purpose. In practice, therefore, the speculator's capital or margin is mainly used for the proper protection of his broker. The broker receives a commission from his customer on purchases and sales and usually a small interest allowance on borrowings for his customer's account.

Banks and trust companies which lend money on security collateral demand a margin of 20 per cent. in security over the face of the loan. There is no rule as to margins among brokers but 10 per cent. is reckoned as a conservative minimum. Some demand more; some will accept less.

Loans of stock are all made between brokers themselves and as a rule carry no initial margin but a system of "marking" to the market obtains by which the loans are frequently adjusted to current quotations.

It is important to note that the speculator's margin necessarily has to bear the full brunt of fluctuations in prices as they occur. They are the source of his profit or his loss as the case may be. While these fluctuations may be relatively small in proportion to the

total value of stocks they are relatively large in proportion to the speculator's capital as represented by his margin.

It is also important to note that when a speculator has made a purchase of stock in anticipation of higher prices he is in debt for the money until he has sold out—and vice versa in the case of short sales. A bull is one who is *waiting to sell* and a bear is one who is *waiting to buy.*

Further, let it be remembered that so far as purchases and sales on an exchange are concerned, all are made under exactly the same conditions—at least at New York. There is no differentiation in trading between speculative or investment purchases, all being settled in the same way. There is no trading in "differences" at any of the great exchanges nowadays.

This description of the machinery will suffice for our purposes as it will enable us to understand the principles governing price movements such as they are.

(*To be concluded in the October Issue.*)

A Remarkable Letter by a Branch Office Manager

Containing Suggestions as to How the House Can Best Serve Its Clients

THE manager of an out of town branch office recently wrote this letter to the head of the firm.

Mr. ————

Dear Sir:

I don't know how you feel about it, but I am not satisfied with the results this branch is getting, either for its clients or the firm. After doing a lot of thinking about the matter, I have come to the conclusion that we are not making the most of our opportunities. In other words, the house is largely to blame that our clients do not make more money, and the unsatisfactory outcome of their ventures account for the comparatively small revenue produced by the office.

I wish you could run down here and go through a day's business with me You would then see for yourself what is already evident to me, viz.: that the trader in an office outside of Wall street is working under a great handicap and the principal cause of the trouble is neglect on the part of the main office. Please do not consider this a "kick" at your management. Our office is no exception to the rule. There are three other branch offices here and one house which is a correspondent of a New York Stock Exchange house. The same characteristics are evidenced in all.

The main offices of all these concerns seem to think that a ticker, a quotation board and a wire to send orders over constitute the only outfit necessary to the branch office. They are all wrong.

Admitting that most people want to gamble on tips, there is to be found in our city and especially among our own clientele a great number of business and professional men who take an intelligent view of the market. These men subscribe to the best financial literature, study the fundamentals and play for substantial profits. Some of them know as much about the market as I do.

They call here frequently and ask me for instance. "What do you know about Steel?" This is evidence that they are contemplating some action in Steel and want more light on the subject. If I depended upon what

came over our wire I would put the house in a decidedly poor light. I would have to show them a telegram such as was sent me this morning reading, "Barney bought 5,000 Steel; Wasserman sold 3,000; Dick Brothers, 4,000." Such items are of no use whatever, yet a lot of them come over every day.

In order to converse with these people intelligently I have to hunt up my own sources of information. I take considerable market literature that does not appear on my expense account and I am in communication with several people in New York who give me "good things" at times. But from my own house, which should be the chief source of information and inspiration, I get little or nothing.

Just consider the difference between the advantages enjoyed by the Wall street trader and one who operates from out of town. In New York he has two news tickers and all sorts of "services" bringing him news, ideas and suggestions every minute of the day. He can keep thoroughly posted and if he is any judge of the effect of news items, he can pick up many satisfactory profits.

But down here all we get is a brief *resumé* of one financial bureau's bulletin before ten o'clock and after that from four or five brief messages giving some one's opinion of this or that stock —tips, or a bit of gossip, sometimes right but more often wrong.

I do not believe it is the intention of the main office to neglect its branches. Probably no one has called your attention to the matter before. No doubt the matter is left in the hands of the operator at your end and having no specific instructions he sends us just enough to keep us from protesting. But as there is no reason why we should not get a summary of everything which is at the disposal of the New York trader, I must request your careful attention to this matter.

The longer I stay in the business the surer I become that it is incumbent upon the broker to supply the client not only with quotations, news and other office facilities but with suggestions founded on facts, which may be used as a basis for stock market enterprises. This should be the work of your statistical department. Every day's developments should be scanned, not merely for items to be "filed away" where they may never be of value, but for to-day's opportunities which your clients can turn into dollars. For instance when a company issues rights there is frequently a chance to buy the rights and sell the stock at a profit and without risk. In receiverships there are many good opportunities for the long pull. When a stock has an abnormal rise or decline, it should be the subject of special discussion in the firm's letters. Many other points will occur if those in charge of this department will look at the problem from this standpoint.

Then regarding the current news and information: The general run of stuff which comes over the news tickers goes to everyone in the street. What we get from the floor through our own members is all right but it's scarce and comes as a by-product of the floor member's work. That which comes into the office first is uncertain as to quality and accuracy.

It seems to me that dependable information is the one most desirable and profitable commodity that a brokerage house can be "siezed of"; therefore it should be made the special business of one man to get out after it and do nothing else. He can go into the various banking and brokerage offices, make acquaintances among corporation officials, railroad men, bankers and newspaper men and will then be able to gather hundreds of valuable items which can be turned into money by our clients. This will give us information which is early and exclusive—the only kind that is worth while.

It does seem ridiculous that this most important matter is worse than neglected by nearly every house in Wall street. I only know of one house for which, up to a few years ago, two men alternately went about the street a certain number of hours each for the purpose of securing points which could be turned to account by their clients. It paid both the firm and its customers handsomely.

Why cannot we have something of this kind? The expense would be

trivial compared to the benefits derived, for if we help our people make money they will trade oftener and in larger amounts. This would mean more business for us.

I notice that no one filed any protests against commission or interest charges where profitable trading results are shown.

Perhaps you think I am taking too much on myself in making these suggestions and that it is a case of the tail trying to wag the dog. I assure you I have no other object than the good of the firm's business. My especial solicitude for this branch office is of course understood. I realize that the trouble is not on the surface, and know that I am not losing any opportunities at this end.

So you will kindly pardon any seeming presumption. Even the office boy may have valuable ideas but, like most employees, be too timid to spring them. I feel as though I must get this off my mind if it costs me my job.

If there is any better, cheaper or more profitable way to accomplish the desired result, I trust it will be put into practice.

Am not looking for any especial credit. I have a deep-rooted desire to see this firm one of the greatest in the street, and the way there seems to me to be through the production of better results for our clientele.

Very respectfully yours,

———— — ————

Mental Attitude

By Frank H. Tubbs

DURING the last few years the class of traders which does more than guess the market has grown in number and individuals have improved their ability.

Every great bull market attracts new forces, largely of the purely speculative class. Every panic introduces new investors. Many from this class become speculators in time. From each class a moderate percentage become the regulars of Wall Street, making speculation, or trading, their sole business. That class was never so large as at present.

The writer has had opportunity to study the development in many individuals which has made them successes and has seen the reason why many others have given up speculation. His conclusion is that success lies in the man every time, and that many who have failed might have been successes had they been trained rightly. Rather, if they had trained themselves properly.

The question at once arises, "Can you tell a man how to make himself a success?" It is a subject which can be learned, and some means toward that education can be put into printed form. Speculation is a business, and he who engages in it must go through business training. Like any other business, it must have the application and closest attention of the workman. Two boys will enter a dry goods house on the same day. In twenty years one will be in the firm and the other still be shipping clerk. There's a reason for it.

The first step in learning to be a speculator is one of elimination. The work is not manual but mental, and whatever is in the mind that cannot help is lumber. Belief in luck must go the first thing. No matter what any one may tell you, speculation is not a matter of luck. It is admitted that sometimes trades come out better than we expected, and the thought comes "That was lucky." The truth is that the element which brought the greater success was there, but we did not see it.

So when failure comes, the element of failure was there, unperceived. It was not merely an unlucky venture.

Deeper study would have revealed the element in either case. Trust in luck is following the blind; belief in the possibility of discovering the controlling element overcomes the poorer belief; belief in the good grows stronger and with development the outgrowth of the better belief brings satisfactory results.

Another elimination must be that of trust in other men and their suggestions. Of course, in early trading the beginner must learn how, so far as details go, from others and he must, for a time, lean on somebody. That may be for a few years, but eventually that trust must go and the speculator depend on himself. Some one line from his early education will so impress itself on his mind that the speculator will see its worth and develop it into usable form. It will then become his own. He can use it and perhaps do so better than can the party who first suggested it. It will be so because he has developed himself to a plane of mental perception and action which can produce only good. About two years ago two men discussed a certain method of trading and both decided to try it. To-day, one of those men has secured a fortune and the other remains where he was.

Another elimination is that of blind trust in method. That sentence is worded carefully. Method must be used, but with judgment coming from a ripened mind. It is a trite saying that no system can beat Wall Street and that any system will break you in time. It is only a half truth. Every speculator is interested in mechanical systems and we would all like one which works perfectly. Does it exist?

Many have studied a dozen so-called mechanical systems, and finding weak spots, have joined the chorus against mechanical systems. In doing so they have revealed their own weak spot. That was their inability to avoid the weakness of the mechanical system. Herein lies the need of mental training and attitude. Eliminate trust in a system which you do not understand, and believe in the underlying idea of the system. Be sure to differentiate between "mechanical" systems and "automatic" systems. And, when we come to think of it, may we not believe that those who decry mechanical systems are really speaking against automatic systems? In the latter no man should trust.

The furnace may have its draft regulated by machinery, but a kink in the chain or the slipping of a bolt may disarrange its working. Those wise men who are manipulating a move in a given stock may, unconsciously or intentionally, drop something into the machinery of your automatic system which will stop its working. The man who is trained to perceive and know can use a method or mechanical system successfully, and there are many such which are most excellent. Were it not so no one would make money continuously in Wall Street. Every successful trader does and must use method and that with keen judgment(never blindly), the result of experience or mental training.

Suggestions on elimination might be given at great length. Only one more will be noted now: Fear. Nothing so hampers success as fear, and it must disappear before one can be at all sure of himself. It is easy to say it must be eliminated. But, how? By such preparation that knowledge drives out fear. We might paraphrase St. John and say "Perfect knowledge casteth out fear." Again we are close to our text in saying that successful trading depends on mental attitude.

Any table of "Don'ts" is unprofitable unless, side by side, is a table of action, or telling what to do. Believe in ultimate success. One who finds his losses grow less is gaining, and when the year comes that gains more than balance losses, he is on the road to success. How many can wait for that year? That is why so many fail. They cannot wait to re-make themselves.

Remember that when you see a successful trader you see the finished product and don't know what process he went through to get there. Lincoln or Grant would never have been strong enough to meet demands put upon them in late years had they not prepared. And, when going through severe experiences remember that, like the swings in stocks, the lower they go in a panic, the higher they go in a boom; when you recover and can use experiences you have it in

you to go to heights far above what you consider normal.

Never trade without a reason. That some one tells you a stock is to go up or go down is no reason for trading in it. Rather, it is a reason for letting it alone. A student of speculation comes to know what is necessary to make movements and to discover from the story of the tape when movements are prepared. No stock makes more than a spasmodic jump without a real move has been prepared. Come to the knowledge of preparation and you have reason for trading without which whatever you do is not speculation but gambling.

So, too, under any system, which is but another name for method, there will be an idea. Reasoning out how that idea can be applied is education—the very basis of all successful trading.

Now, an idea is mental. It is not material, although very tangible. The idea must be completely understood and its application comprehended. There is an inexorable law: "Like produces like." It is constantly working in the stock market as elsewhere. If your *idea* is good, it will and must produce its like—"good." This brings us around the circle to the start, or, that to make a success in Wall street, and nine out of ten *can* do so, depends on the man and the way he will educate himself and the extent to which he will carry his education and develop his self-mastery.

Buying on Bulges

"IT is astonishing how many small traders there are who wait till the last horn blows before getting into a stock," said a well known specialist on the New York Stock Exchange.

"Not long ago there was a certain low priced stock selling around 5. Nobody wanted it and only a few transactions a week took place. Somebody or something started it going up, and there was little opposition.

"The price rose to about 15 without attracting any great amount of attention, then it started to boil, making a four-point jump in one day. While this was on you should have seen the orders to buy 5, 10, 20 and 50-share lots pour into the crowd. It was a man's job supplying the odd lots and the higher it went the faster came the buying orders from small fry.

"Manipulation? Certainly not. They were genuine purchases by people who never buy till a stock gets way up and then they climb for it.

"The stock receded four or five points during the same session and I'll bet a lot of people were sore. But it's their own fault. They never can see value in an issue till the mob starts after it; then they trail along, bite off a chunk at the top and tie themselves up for a year or two.

"These are the people who have the most to say against 'the insiders,' manipulation, etc., and who never seem to realize that success consists in selling out at such times, and buying when they're going begging.

"That's what the big traders do and that's why they *are* big traders."

The Investment Digest

FOLLOWING is a list of publications, etc., from which this Digest is prepared. The number representing each authority will be found in brackets at the end of the items. Where the name of a banking or brokerage house is given the matter is taken from their special letter or circular: (1) *Wall St. Journal,* (2) *Boston News Bureau,* (3) *Journal of Commerce,* (4) *N. Y. Commercial,* (5) *N. Y. Eve. Mail,* (6) *N. Y. Eve. Post,* (7) *Com. and Fin. Chronicle,* (8) *Financial World,* (9) *Railway World,* (10) *U. S. Investor,* (11) *Wall St. Summary,* (12) *Commercial West,* (13) Hayden, Stone & Co., (14) Freeman, Rollins & Co. (15) Eugene Meyer, Jr., & Co., (16) Thomas Gibson, (17) J. S. Bache & Co.'s *Weekly Fin. Rec.,* (18) W. C. Langley & Co., (19) Wrenn Bros. & Co., (20) Boston *Fin. News,* (21) Robt. Goodbody & Co., (22) *Moody's Mag.,* (23) *London Statist,* (24) Swartwout & Appenzellar, (25) Kissel, Kinnicutt & Co., (26) Alfred Mestre & Co., (27) *N. Y. Eve. Sun,* (28) *N. Y. Times,* (29) John Muir & Co., (30) *N. Y. Journal,* (31) N. Y. *Morning Sun.*

Allis-Chalmers—Is one notable instance of a pfd. stk. which is still avail. at a low price, which stopped its div. five yrs. ago in order to put all its earnings into plants. The stk. is entitled to 7 per cent., which is not now being paid, and 36¾ p. c. has accum. up to date. The officers of the co. report that business is now good and steadily improving and it is not unreasonable to suppose that some return may soon be made on the pfd. stk., now selling about 52-53. (24)

Am. Agri. Chemical—Inauguration of com. stk. div. draws attention to the possibilities of the com., which has recently adv. to a high record price. At present com. is earn. at rate of 7 p. c., and this is after bond int., pfd. stk. div. and liberal chgs. to depreciation. During the past nine yrs. co. has made a capital invest. of $10,000,000, on which it has been shown that the co. has earned about 15 p. c. This growth has been financed in part from the proceeds of $8,000,000 bonds which were sold last yr., and in part from surp. earn. which have aggregated over $6,000,000. Bal. from sale of bonds and surp. earn. over cost of new property has been added to working cap. In addition to all this, the co. has chgd. to oper. account about $6,500,000 for depreciation. (2)——All plants operating at full capacity and many are running overtime. (16)

Am. Beet Sugar—Beet sugar grinding has begun in California factories under conditions that promise favorable yield. Last yr.'s output of U. S. was 384,010 tons, the yr. before 440,200 tons. The prob. is that this yr. the higher of these totals will be exceeded. (2)——It now develops that the co. refunded its $3,000,000 6 p. c. certif. of indebtedness, which matured June 1, by a slightly different method than was originally announced. Funds to pay off the entire issue were raised through the sale of $910,000 pfd. stk., the taking of about $1,500,000 short-time notes of the co. to banks. The plan orig. announced called for the sale of $1,500,000 5 p. c. 3-yr. notes. The short-term notes now out are not costing much over 3½ p. c., and it is est. that, on int. chgs. alone, the scheme of fin.'g finally adopted is saving the co. nearly $75,000 per an. So long as these short-term notes are out there is little likelihood of any com. div. decl. (1)

Am. Can—Stock $82,466,600; work. cap. $7,223,558, eq. to 8.7 p. c.——Reported to have closed a large contract with Am. Tobacco Co. The order, it is said, is the biggest ever obtained by the Can Co. (11)

Am. Car & Foundry—Cap. $60,000,000; work. cap. $21,046,774, eq. to 35 p. c.——Alfred Mestre & Co.'s circular reviewing earn. cap. and devolp. since organ. Co. now has an an. cap. of 125,000 fr. cars, 1,500 passenger cars, 350,000 tons of wheels, 300,000 tons of forgings and about 300,000 tons of bar iron. Analyzing gross and net from yr. to yr., it concl. that the success of the concern has been attained very largely by efficient business methods and the adoption of a policy of selling goods at competitive figures. Ref. to the com. stk.'s market prosp., it says: "If, as seems quite logical, the prof. of the co. in the yr. 1910 far exceed those of 1907, the div. paying power of the co. will have so far inc. as

to justify a much higher rate than that paid in 1908."

Am. Hide & Leather—Inc. business during past six mos. shown by co. Capacity of tanneries close to 3,000,000 hides and 5,000,000 calfskins which is 75 p. c. of entire mnf. of upper leather in this country. The year 1908 did not prove satisfactory as regards inc., but since Jan. a gradual inc. is noted. The extent of the industry as it concerns this controlling factor in the making and distrib. of upper leathers is shown from the co.'s report giving value of properties at $26,500,000. Since 1902 there has been an an. avge. supply on hand of manuf. and raw stk. am'ting to $5,000,000. There is an auth. cap. of $35,000,000 eq. divided in pfd. and com. stk. The former yields 7 p. c. an. (1)

Am. Light & Traction—A stk. div. of 10 p. c. and an extra cash paym. of 1 p. c. in addition to the usual quar. disbursement of 2 p. c. have been decl. on com. stk. of Am. Light and Traction. The stk. div. is payable on or before Sept. 30 and the other divs. on Aug. 2. The reg. quar. div. of 1½ p. c. has been ordered on the pfd. Wall st. first began to talk of an extra div. on the com. stk. last fall, and on the understanding that this would be done showed considerable buoyancy. A 5-pt. adv. carried it up to about 245, and appreciation of 162 points from the low level of 1907. Net for yr. end. June 30 $2,977,829, an inc. of 19.14 p. c. (5)

Am. Locomotive—Orders for equip. have rapidly gained the past 3 mos. and it is evident from both the study of ry. earn. and equip. orders in the past, that our lead. equip. cos., among which Am. Loco. stands in the first rank, will soon be making large earn. This co. during 8 yrs. of its history has earned an avge. of 8 p. c. for com.; and while the assets behind this stk. in 1902 were only about $3.30 per sh., they are now est. at $42.00 per sh.; and it is confidently expected that within a reasonable time, the stk. will again be earn. 8 p. c. or better. (19)——In the seven yrs. since incor. Am. Loco. had, up to June 30, 1908, inc. its assets by $23,961,000, of which $9,488,000 had been approp. to new const.; $3,855,000 to purch. of stks. in other cos.; $2,489,000 to maint. and betterment; and $8,127,000 to inc. in work. cap. The latter figure sood, at the time of the last report, at $131,126,000. (13)

Am. Smelting & Ref.—Am. Smelt. earns at the rate of about 8 p. c. on par val. of com., or 8.5 p. c. on present mkt. vals., whereas the "boom" earn. of 1906 were eq. to only 8.3 p. c. on the market val. of the stk. at that time. Has not shared proportionately in the gen. rise of industrial list, having recovered only 40 p. c. of decl. of 1907, as comp. with 80 p. c. in other industrials. Is oper. at about 70 p. c. of capacity, as comp. with 60 p. c. a few mos. ago; and its profits have been greatly inc. owing to the large imp. in the lead business, the prices of lead having adv. materially while the demand, especially for white lead, has been greatly stimulated by the large amt. of building business now in progress throughout the country. (19)——An. report for fis. yr. ended Apr. 30 shows in spite of low price of copper and other metals, co., after paying fixed chgs. and reg. div., added $1,843,050 to surp. Total surp. $15,251,268. "Your co. owns 177,510 sh. of com. stk. of Am. Smelter's Sec. Co., par val. $177,751,000. This, being maj. com. stk., places your co. in control. As yet, it has not been thought wise to incl. this asset among the inventoried investments of the co. At the time of the org. of the Am. Smelters' Sec. Co., it was believed that your co. would be obliged to adv., under its guarantee, some portion of the div. accruing on the Series 'B' stk. until the sec. co. was able to fully oper. its projected smelting plants. Your co., however, has not been obliged to make any advances on account of such divs." (3)——From 1904 to 1909, incl., the co. has been able to show a bal. avail. for com. stk. averag. 8.77 p. c. a yr. The co. could have paid div. of 8 p. c. on com. and still have shown a small surp. It has paid to its com. shareholders in six yrs., $16,000,000, and to its pfd. shareholders, $21,000,000, a total of $37,000,000. At the same time it has accumulated a surp. of $1,378,000. (1)

Am. Steel Foundries—R. H. Swartwout, of Swartwout & Appenzellar, having visited the 9 plants of Am. Steel Foundries Co., reports physical condition exceptionally good. Orders at satisfactory prices being rec'd in inc. volume. Large cash resources permitted purchase of raw material at low prices, and many plants are thus cheaply supplied for a full year's operation. When the co. is again oper. at capacity, earn. should be largest in history. Business is principally mfr. of R. R. equipment, a large part of it under patents which co. owns. Am. Steel Foundries has only one kind of stk., and this co.'s proportion of work, cap. to capitalization is unusually high. It owns very val. patents for car equip. There have been many recent instances of large profit of pfd. stks. which carried accum. back divs. Two yrs. ago Am. Steel Foundries paid in deb. bonds 20 p. c. accum. divs. on its pfd. stk. (24)——Int. close to the co.'s affairs say that the plants are now running about full capacity and orders ahead are sufficient to keep them employed on that basis for several mos. if not another order should be taken. It is believed, however, that the next 6 mos. will bring even better returns and that early next spring will put the co. in sight of divs. The corp. has maintained its plants up to a high standard in spite of the recent depression. (11)

Am. Tel. & Tel.—A Boston finan. writer asks: "Is there any limit to the growth of the business of the Am. Tel. & Tel. Co.? I ask this question in all seriousness. In the panic yr. of 1907 gross earn. aggreg.

$120,753,200, an inc. of 16 millions. In 1908, a period of comp. depression in gen. business, its gross earn. amounted to $127,117,-200. The capitalization of the Am. Tel. & Tel. Co., $550,000,000, looks formidable, but comp. with the conversational ability of 90,000,000 people it is only a drop in the bucket." (8)

Am. Woolen—Total output of all fabrics is 50,000,000 yds. ann. 70,000,000 lbs. of wool used every yr. Employs 30,000 hands. Pay-roll $13,000,000 annually. In ten years' existence to Jan. 1, 1909, co. has sold $375,-343,578 worth of goods. Shareholders have been called upon, since org., for $20,000,-000. There have been distrib. in pfd. divs. $16,785,514. Surp. incl. from $931,309 to $8,945,703. (13)——The following circular has been issued to stockholders: "At a meeting of the stockholders July 16, 1909, art. of incorp. were amended, inc. auth. 7 p. c. cum. pfd. $5,000,000. Rights to subscribe accrue to holders of pfd. and com. in proportion to their holdings, at close of business July 30, 1909. Each holder of 13 sh. entitled to subscribe at par to one sh. new, payable in instalments, as follows: Aug. 16, $50 per sh.; Sept. 16, $50 per sh. Right to subs. expires Aug. 16, 1909, at 2 P. M. Subscrip. are to be filed and pmts. made at Old Colony Tr. Co., Boston, or Guaranty Tr. Co., N. Y. Ctf. will be issued as soon as possible after receipt of final payment." (11)

Atchison, Topeka & S. F.—An inc. to a 6 p. c. y'rly basis in Atch. com. div. is practically assured in Oct. (11)——From reorg. in 1895 to the close of the fis. yr. 1908, Atch. earned for divs. an aggreg. surp. of $137,436,437. Of this 38.4 p. c. or $52,805,078 was paid out in divs. on the pfd., while $33,238,071 or 24.1 p. c. was paid on com. Remaining 37.5 p. c., or $51,393,-268, was turned back into the property. (1)——Admitted to quotation on Stk. Exch. Atch., Top. & S. F. Ry. Co.'s subscription rec'ts for conv. 4 p. c. bonds, full paid "and int.," and subscrip. rec'ts for conv. 4 p. c. bonds first instal. paid flat. (1))——Bal. sheet of Apr. 30 last shows total current assets of $50,771,391 and current liab. $17,-223,961, excess over liab. of $33,547,430. The bal. sheet shows that the co. has cash on hand am'ting to $25,556,489 and demanded loans am'ting to $7,976,444. Bal. of profit and loss on Apr. 30 was $30,381,130. (11)

Atlantic Coast Line—The Atlantic Coast Line at the present time occupies a unique position in the railroad world. In the first place the Atlantic Coast Line Railroad Co. is controlled by a holding co. known as the Atlantic Coast Line Co., of Conn., capitalized at only $12,600,000. This holding co. has in its treas. $24,141,900 of the total of $47,537,600 of Atl. Coast Line R. R. stk. outst. The Atl. Coast Line R. R. in turn owns $30,600,000 of the $60,000,000 worth of stk. of the Louisv. & Nash. R. R. Co., and the Louisv. & Nash. R. R. owns $7,-177,600 of the $10,000,000 outst. of the Nash., Chat. & St. L. stk. In addition the Louis. & Nash. owns a half interest with the Southern R. R. in the Chic., Indianapolis & Louis., generally known as the Monon, which gives these roads connection with Chic. In the southern territory the Atl. Coast Line and the Louis. & Nash. together divide control with the Cen. of Georgia, of the Georgia R. R., Atl. & West Point R. R. and the West. Ry. of Ala. The Louis. & Nash. has recently acquired control of the Louis. & Atl., a 100-mile road in Kentucky. Both the Louis. & Nash. and Atl. Coast Line have control of other small roads or close traffic alliances with them so that together the entire system now represents nearly 12,000 miles or about as much mileage as is incl. either in the Penn. R. R. system or what is known as the Vanderbilt group controlled by the N. Y. Central. The lines extend south from Wash., D. C., covering all the states of the Atlantic coast and through the Louis. & Nash., all parts of Tenn., Kentucky, Miss. and Ala., are reached so that the Atl. Coast Line today represents a comprehensive system from the Great Lakes to the Gulf, touching the southern part of Florida, thoroughly covering the Atlantic Seaboard and with its western terminus in St. Louis and Chic. the co. links the entire South with the grain-growing states. The Atl. Coast Line reports net earnings of $7,593,602, comp. with $5,552,995 for the same period last yr., or an inc. of $2,041,607. Louis. & Nash. reports net earn. for the same period of $13,127,600, as comp. with $8,660,-112 for the same period last yr., or an inc. of $4,467,478. The figures in the case of the Nash., Chatt. & St. L. are $2,319,-464, as comp. with $2,116,023 or an inc. of $203,441. It will be noted that the combined properties show an inc. in net earn. for the first ten mos. of the current fis. yr. of over $6,700,000, which is a record equalled neither by the showing of the Union Pacific or Southern Pacific. The recent inc. in the div. rates of both Louis. & Nash. and Atl. Coast Line from 5 to 6 p. c. in view of these fig. would seem to have been ultra conservative.——Will have $5,000,000 for stockholders from opers. in 1908-9. This is nearly 12 p. c. on stk. outst., and is sufficient for the yr.'s divs. with more than $2,000,000 to spare. The $5,000,000 surp. comp. with $2,781,147 in 1908 and $3,117,955 in 1907. It is about $200,000 above the surp. for 1905-06, which has held the record until now. This is a remarkable exhibit for a road which went on a red. div. basis little more than a yr. ago, and indicates that stockholders, who have been treated liberally, may before long begin to look for another inc. (2)

Baltimore & Ohio—Bids asked on 6,000 freight cars, 70 pass cars and 65 locomotives, an exp. of bet. $9,000,000 and $10,-000,000. (11)——Fis. yr. end. June 30 will show approx. 6.9 p. c. earned on com., or suff. to pay full 6 p. c. with $1,353,000 to spare. This is almost sufficient to make

good def. of $1,373,762 shown in the fis. yr. 1908.——Stockholders of the Balt. & Ohio met here today and ratified the action of the directors in taking over the Cin., Ham. & Dayton Ry. Co. should the stockholders of the latter line ratify similar action of its directors. The question will not be settled, however, since the terms proposed for lifting the rec'ship of the Cin., Ham. & Dayton are opposed by some of the road's stockholders, and their assent must be obtained in order to reorg. without forecl. The holders of some $1,500,000 of outst. notes refuse to approve the terms offered. (5)

Bethlehem Steel—With the exception of a few minor depts. all plants of corp. in full operation. Sufficient orders for structural steel to keep plants going for next 3 or 4 mos. Refusing orders for structural steel owing to the crowded condition of its mills, which are work. night and day. The rail plants are also in full poer. Demand for products of co. so heavy that it may be necessary to build additional furnaces. (1)——Cap. $29,770,000; work. cap. $6,674,375, eq. to 22.4 p. c.——Corp. has about completed plans for issuance of $5,000,000 notes, to take up the $2,500,000 notes now oust. and provide funds for completion of const. work contemplated or under way. Proposes to build a second group of ten open-hearth furnaces, and may add another blast furnace. Heavy demand for the co.'s structural steel mfd. under special process one of reasons for enlarging capacity.

Bklyn. Rap. Transit—Gross for July made a remarkable showing, gain $189,000, a daily avge. of $6,300. Largest month's inc. in sev. yrs. Fully 90 p. c. of this has been saved for net. Some of the largest interests predict that fis. yr. which began July 1, co. will earn better than 8 p. c. When outlook for yr.'s business is fairly well estab., an inc. in divs. is practically certain. The prob. rate is 5 p. c. It is calculated that with the stk. on a 5 p. c. basis the market price would make attractive the convert. feature of the bonds. (2)

Can. Pacific—Co. has sold $5,000,000 4 p. c. pfd. stk. in London at 102. (1)——On the present amt. of stk. Can. Pac.'s an. div. requirements are $15,763,776. This is excl. of the 1 p. c. paid an. on the com. stk. out of proceeds of land sales. Incl. this, div. requirements total $17,261,336. While cap. requirements are prob. provided for for some time to come, it still has a large amt. of auth. but unissued sec. which it may draw on for new funds should occasion demand. Its stockholders not long ago auth. an inc. in the com. stk. from $150,000,000 to $200,000,000, so $50,000,000 of salable stk. is avail. About $25,000,000 more pfd. stk. could be sold if necessary, even at the present time; if all the com. were issued, the road could sell another $25,000,000, for according to its charter the outst. pfd. may equal but not exceed one-half the amt. of the outst. com. (1)——To those investors seeking high-class sec. which have still almost certain prospect of rising in price, the new "Soo" Leased Line ctfs. present an unusual opportunity. These are the ctfs. given in exch. for Wis. Cen. pfd., and draw int. at 4 p. c. for 99 yrs. They are practically the obligation of the Can. Pac., of which the "Soo" line is a subsidiary. They are selling around 91, and are in the class of gilt-edged sec. which on the same basis are selling at 100. They will undoubtedly, as they are absorbed by investors, rise to approx. 100. (17)——Following announc. by Can. Pac. that it intended to inc. price of irrigated lands in Bow river dist. from $25 to $30 an acre, co. sold 100,000 acres for $2,500,000. (2)

Central Leather—Stockholders of the Cen. Leather Co. have been notified of a special meeting Aug. 19 to act on a res. adopted by the directors which will permit the co. to merge with the U. S. Leather Co. It is proposed to eliminate from the Cent.'s charter the corp. powers which differ from those of the U. S. Leather Co.; and which, the Court of Errors and Appeals in N. J. recently decided, made it unlawful for the cos. to consolidate. (5)——For five yrs. the co. has been attempting to get into its fold all of the U. S. Leather Co. shrs. In 1905 the merger was first proposed and at that time U. S. Leather pfd. stockholders rec'd for their shrs. 50 p. c. in Cent. pfd., 50 p. c. in Cent. coll. trust bonds, and 23½ p. c. in Cent. com. The U. S. Leather com. stockholders receve 30 p. c. in Cent. com. On the U. S. Leather pfd., which is an 8 p. c. cum. issue, there has accum. about 50 p. c., and it is with the hopes of having this paid in full that the present minority int. have been so long holding out against exch'g their stk. for Cent. Leather shrs. on the original plan. (2) (See U. S. Leather.)

Ches. & Ohio—Since Hawley ints. secured control, Ches. & O. has been put on a 4 p. c. basis. As indicated by the report for yr. ended June 30, 1909, the road is earn. about 6.4 p. c., and the best part of the cal. yr. is yet ahead of it. (2)

Chic. & Alton—Vice-Pres. Ross, of Chic. & Alton and Tol., St. L. & W., says: "Est. results in June, I figure that Alton has earned about 6 p. c., perhaps a fraction more on its com. during the yr. Clover Leaf has earned its pfd. div. and more, solely from transportation; incl. divs. received on holdings of Alton shows about 4 p. c. on its com. Alton is ahead on its 11 mos. gross, while Clover Leaf has fallen a little behind; but both properties have reduced exp. and show a gain in net. Maint. has been lowered to perhaps as great an extent as conducting transp. item but this is in no sense a reflection upon physical condition. Alton and Clover Leaf are both in the best condition yet attained.

Chic., Burl. & Quincy—Will show approx. 11 p. c. comp. with 10.93 p. c. yr. ended June 30, 1908. Maint. chgs. have in the

past few yrs. been so heavy as to constitute a virtual concealment of net earn.; for the past 7 yrs. it has avgd. a bal. for divs. am'ting to $12,800,000; since 1901, when it came under the Hill m'gement, it has spent bet. $55,000,000 and $60,000,000 for additions, betterments and extens.; through the oper. of its sink. funds it has cancelled no less than $30,000,000 of its bonded debt, leaving the property rep. by these bonds practically uncapitalized; it has acq. control of the Col. & So., and is planning the const. of lines in Mont. and Colo. These facts, and the success of the Hill policy of pouring millions into the property, and at the same time holding the capitalization in check, emphasize what a tremendously wealthy property the Burl. has become and what a val. equity the Gt. North. and North. Pac. have in this road. (1)

Chic. Gt. West.—Reorg. plan declared operative, more than 97 p. c. of the deb. stk. and a substantial majority of other classes, making more than 73 p. c. of the entire outst. stk., having been dep. under the agreement. Paymts. by depositors of pfd. "B" and com. are to be made at office of J. P. Morgan & Co., as follows: $5 per sh. on or before Aug. 20, $5 per sh. Sept. 20, and $5 Oct. 21. The time within which the several stks. may be dep. under the plan has been ext. to Aug. 20. Forecl. sale of the property has been advertised for Aug. 21 at St. Paul, Minn.——Application has been made to the Stk. Exch. to list Chic. Gt. W. Ry. Co., J. P. Morgan & Co.'s ctf. of dep. for the following: $27,092,200 deb. stk., $6,437,800 pfd. A stk., $13,503,000 pfd. B stk., and $20,377,800 com. stk. (1)

Col. Fuel & Iron—A leading int. says: "Col. Fuel is today the property of some of the strongest finan. int. in the country. Co. can no longer be classed as a quasi-Gould prop. It is owned by the Stand. Oil party. Mr. Rockefeller has put his personal money behind it, and is determined to make it a com'l and fin. success. "I am confident that inside the next two yrs. Col. Fuel & Iron will show oper. results that a yr. ago would never have been considered possible. The co. is managed by one of the most expert steel men in the U. S., is today oper. at better than 80 p. c. of cap., and has orders for 4 or 5 mos. booked ahead. Col. Fuel never had a fair chance to show what it could do. It has been continuously since org. in the construction stage. This work is now prac. finished at an expend. of $15,000,000, with the result that stockholders have today almost a new prop. on their hands. In the darkest days of depression the co. has shown its ability to earn fixed chgs. on a large bonded debt. Now that bigger business is assured I am confident that pfd. divs. are a prob. within the next two yrs." (1)

Cons. Gas—N. W. Harris & Co. have purchased $5,000,000 coll. trust 4 p. c. notes of the Cons. Gas Co. maturing Aug. 10, 1910. Proceeds will take up like amt. of 5 p. c. notes due Aug. 10 next, and which were issued a yr. ago to refund $5,000,000 6s. New issue will be secured by same coll. (11)

Corn Products—Cap. $79,571,200; work. cap. $6,397,856 or 8 p. c.——To meet inc. competition and regain lost business. Co. has made three reduc. of 5c. a hundred in price of mfrd. prod. The first went into effect two weeks ago, the second last week, and the third this week. This corp. reaped large profits at the prices for which its products formerly sold, but at the exp. of business, and now a campaign is to be started to regain lost business. Because of the high price of corn, these reduc. come unexpectedly. (2)

Del. & Hudson—Report half yr. ended June 30 shows inc. in gross of $407,214, or 4.6 p. c., and in net 6.1 p. c. (1)

Del., Lack. & Western—Shareholders have accepted plan for subscrip. to the stk. of Coal Co. almost unanimously, and without question as to the prospective returns of the new co.

Denver & Rio Grande—Prelim. statement for the past fis. yr. shows earned a little over 1½ p. c. com. stk., comp. with 3 p. c. last yr. The road was oper. at 73 p. c., as against 68 p. c. the yr. prev. About $1,000,000 of the inc. in exp. went into the property for improvements. (5)——The management desires to put the road in good condition and has guar. int. on West. Pac.'s $50,000,000 bonds, as well as investing considerable in that road's second mtge. obligations, issuing its own bonds to the extent of $15,000,000. A com. div. could hardly be expected within the next yr. (2)——Has sold $5,000,000 5 p. c. bonds to Deutsche Bank of Berlin. This is part of $150,000,000 issue created a yr. ago, of which $22,000,000 are outst. (5)

Distillers—Co. has recently purch. for about $2,000,000 control of a Cuban molasses co. which has long term contracts covering practically the entire molasses output of Cuba and Porto Rico. The importance of this purch. is that it enables Dist. Sec. to control competition. (2)

Erie—An important feature of the bond mkt. is the sustained adv. in prices of the Erie issues. These adv. are most marked in the conv. 4's and have coincided with the imp. in the yr.'s earn. Within the last 3 mos. bal. of $5,000,000 of $15,000,000 coll. gold notes auth. in 1908 have been sold. Expected at least $20,000,000 conv. 4's will be paid off at an early date. (9)

Gen. Chemical—Co. will build a great plant near Pittsburg involv. an exp. of about $3,000,000. This is the 25th plant of the co. and will be its largest producer. It is understood that the $1,500,000 6 p. c. cum. pfd. stk. of the co., which was recently issued and listed on the Stk. Exch., was sold to Speyer & Co., who have already resold the stk. to investors. (11)

Gen. Electric—Gross sales running slightly better than $55,000,000 per an., an imp. of 40 p. c. comp. with a yr. ago. (2)——Co.'s stock is $65,178,800, against which work. cap. of $56,935,611, or 87.5 p. c.

Gt. Northern Ore—Gt. Northern Ore accounts ought soon to justify another pmt. on the ctfs. of $1 each. There is about $2,750,000 nom. in the trustees' hands now. Of this, $256,000 is undistributed inc. actually in the trustees' possession, and about $2,500,000 rep. an. pmt. by the Steel Corp. for royalties on an. minimum of ore. This pmt. was made by the Steel Corp. in Jan. (2)——J. J. Hill says ore in the ground is earn. 4 p. c. on the ctfs. He explained this by saying that the inc. ropalty which has to be paid each yr. by the U. S. Corp. on ore mixed rep. an increment in value of the ore in the ground, am'ting to about that much an. on the ctfs. (8)

Ill. Cent.—In claim of State of Ill. against Ill. Cent. for back taxes am'ting to $15,000,000, decided that Supreme Court must be final arbiter. Accounting covers 30 yrs. Books, papers, etc., would fill 60 modern freight cars. (7)

Int. Rap. Transit—In many minds the Int. Rap. Transit Co. and the Int-Met. Co. seem hopelessly confused. The Int. Rap. Trans. leases and oper. the Man. El. and Subway, both of which are very profitable properties. The only int. the Int.-Met. has in the Int. Rap. Trans. is that of stockholder. It issued against this stk. its own 4½ p. c. coll. bonds, at the rate of $200 in bonds for $100 of Int. Rap. Trans. stk. The Int. Rap. Trans. pays divs. at the rate of 9 p. c. per on its stk., which divs. just pay the int. on the double amt. of 4½ p. c. bonds. For yr. end. June 30 last, figures show that Int. Rap. Trans. earned about 13.11 p. c. on its stk., that is, 9 p. c. it pays and 4.11 p. c. over. (6)——Holders of the 3-yr. 5 p. c. gold notes have been notified that their notes have been called for redemption on Sept. 1, and will be paid on and after that date at 101 and int. On June 30 Inter. Rap. Transit closed the most successful yr. in its history with a bal. for divs. of $4,550,000, an inc. of $850,000 or 23 p. c. over prev. yr. This is equal to a bal. for divs. of 13 p. c. out of which 9 p. c. was paid, leaving a surp. after divs. of very close to $1,500,000. Gross showed inc. of $1,718,000, or 7.1 p. c. Since July 1 gross recpts. have been showing record gains, gain in gross has been running at the rate of very nearly $9,000 per day, as comp. with gains of about $6,000 per day during June. July bids fair to become high record month since org. (2)——There is probably no immediate danger of div. being resumed on Int.-Met. pfd. (1)

Int. Harvester Co.—Co. has instituted a comprehensive plan of profit-sharing. To its 29,000 employees it will sell 27,000 shrs. No employee can own any stk. until after five yrs. allowed for pmt. of the purch. price. The pfd. is offered at $115 a sh., and the com. at $75, or $6 and $10 a sh. below present mkt. val. A system of adv. divs. will scale pmts. down about 35 p. c. in the 5 yrs. (2)—Co. commands a leading position in work. cap., at nearly $80,000,000, or 66 p. c. of its $120,000,000 capitalization. Gross business $72,541,771.——Officials report the stk. which offered employes largely over-subscribed. (11)

Int. Merc. Marine—The Int. Merc. Marine Co. owns the White Star, Am., Atl. Transport, and Dominion Lines and controls by stk. ownership the Leyland and Nat. Lines, thus practically dominating the trans-Atlantic steamship business. The 4½ p. c. gold bonds at present mkt. prices yield over 7½ p. c.

Int. Paper—It is not generally known that the co. has at present enormous timberland holdings in Canada, am'ting in the aggreg. to 2,000,000 acres, which is about 50 p. c. of the co.'s total timberlands. Est. that newsprint can be made on avge. from $6 to $8 per ton cheaper in Canada than here, which will enable co. to pay tariff of $3 per ton and still save from $3 to $5 per ton. (2)

Int. Smelt. & Ref.—With the Utah smelter in oper. it is fig. that the co. will be able to show earn. of at least 15 p. c. on its $10,000,000 capitalization. The div. will continue on a 6 p. c. basis until the Utah smelter, now in course of const., is compl. This will be early next yr. (1)——But $10,000,000 of the $50,000,000 auth. cap. has been issued. Co. has issued its permanent ctfs., which will be trans. either in Boston or N. Y. The engraved ctfs. will be issued only in denom. of 100 shrs. or less. It is believed that the stk. will be listed on the N. Y. and Boston Stk. Exchs. soon. The temporary ctfs., which the new ones will replace, were not transf. between the Boston and N. Y. mkts., the co. issuing one set for use here and another for transfer in N. Y. (3)

Int. Steam Pump—Co. has arranged for sale of about $8,500,000 1st lien 20-yr. 5 p. c. sink. fund gold bonds, to be used for imp. and for retirement of notes payable, which now amt. to about $1,500,000, and for refund'g the existing debt of the co. Co. anticipates a steadily inc. business and desires to enlarge capacity of plants. The issue of these bonds will only inc. int. chgs. about $50,000. (11)——Report yr. end. Mar. 31, shows surp. of 1.1 p. c. for com. stk. comp. with an avge. of 3.56 p. c. for the 4 prec. yrs. (18)

Iowa Central—N. Y. Stk. Exch. listed $200,000 add'l 1st and ref. mtge. 4 p. c. 50-yr. bonds due 1951, total listed $5,720,000; auth. $6,115,000.

Nat. Lead—Cap. $45,022,400; work. cap., $11,222,078, eq. to 25 p. c.——Vice-pres. says: "Everything points to the current yr.'s being a record one for profits. Every one of our plants is work. at capac. Our greatest problem is that of being able to

fill all orders promptly and without disturbing our system of distrib."

Nat. Rys. of Mexico—The co. announces a semi-an. div. of 1 p. c. on 1st pfd.

N. Y. Central—Application to the Pub. Service Com. for auth. to mtge. its Spuyten Duyvil & Port Morris line for $20,000,000 reveals the Central's plan for financ. further work upon its term. lines in the city. (1)——With continuing incs. in net reasonably assured, it is apparent that Cent. is in a fair way to get back former earn. power. (2)

Norfolk & Western—Should show for fis. yr. not far from 9 p. c. on com. (2)——Nor. & West. promises also to make a much better showing in the next two yrs. Its ability to show over 8 p. c. on com. in a yr. when earn. were, for 6 mos., showing large dec., bodes well for an early return to the div. rate prior to reduction in 1908. (1)

Kansas City Southern—Earned approx. 3¾ p. c. on com. (11)——Several million dollars will be spent for imp. by the Kan. City So. in the next few mos. In red. grades bet. Bunch and Houston, Okla., and De Queen and Shreveport, La., a total dist. of over 200 miles, $1,000,000 will be expended. Several miles of new line will be built also. The imp. in Kan. City will amt. to $250,000, and at Shreveport, La., Pittsburg, Kan., and Port Arthur, Tex., $350,000, while over $500,000 will be spent in ballasting and other track work. (5)

Lake Erie & West.—Prospects are not bright for a resumption of divs. on Lake Erie & West. pfd. Since 1905 net has diminished yearly, and liberality in maint. outlays in recent yrs. together with exhaustive div. pmts. have saddled a def. for which there seems to be no immediate remedy. Also its business is almost entirely local and has had to withstand active competition of highly devel. elec. lines. (2)

Louis. & Nash.—Surp. in profit and loss $24,253,243, an inc. of $5,000,000, eq. to 40 p. c. for every sh. of stk. (2)

Missouri, Kan. & Tex.—Inc. approp. for maint. by Mo., Kan. & Tex. makes the prospect of a com. div. several yrs. away. (2)——Mo., K. & T. carries on its business at a greater cost than it should, if it is to show a fair profit from oper. In the fis. yr. 1908-9 it exp. 73.6c. for actual running exp. and taxes, for each dollar earned. Showing about 1.3 p. c. on the com. (1)

Missouri Pacific—N. Y. Stk. Exch. has listed $4,255,000 add'l coll. 40-yr. 4 p. c. bonds due 1945; total $37,255,000.——Surp. earn. for 8 mos. are equiv. to but 1.84 p. c. on its stk. (1)——At special meeting Aug. 6 of stockholders steps were formally taken for rehabilitation of finances of entire system, without watering the stk. Eleven corps. became an inseparable part of the Mo. Pac. Ry. Co., and org. of an entirely new Mo. Pac. Ry. Co., cap. of $240,000,000, was also auth. New co. will take over the cons. whole, issuing its stk. on an equality for the outst. stk. of the present co. and the lines absorbed today, with this exception, that no stock will be issued for stks. of the absorbed lines held by the Mo. Pac. Ry. Co. By reason of this action, stk. of Mo. Pac. Ry. Co., to be immediately issued, will not be much in excess of the present oust. total. Auth. cap. stk. of the present Mo. Pac. Co. is $100,000,000, of which $77,817,875 is outst. The total auth. cap. stk. of the absorbed lines is about $162,000,000, of which about $132,000,000 is owned by the Mo. Pac. Ry. Co. and about $25,000,000 unissued. About $5,000,000 is in the hands of the public. The stk. of the new Mo. Pac. Ry. Co. to be issued for this will bring the total issue of the new stock up to about $83,000,000. Bal. of the auth. issue of $240,000,000 will be held for sale and such other uses as may be necessary in the future financ. of the co. The action makes the whole system physically and financially one in the new Mo. Pac. Ry. Co., which is to be org. under laws of Mo., Kan. and Neb. When the org. of this new co. is compl. and the exch. of stk. finished, the plans under consideration for refinancing the outst. bond and sec. issues of the various lines will be put under way. Est. of the prosp. bond issue run from $15,000,000 to $250,000,000, but the exact amt. cannot be determined. (4)

Pacific Coast—The recovery in earn. so strong as to make it practically certain that 2d pfd. and com. will be restored to their former div. basis of 5 p. c. before another 6 mos. (2)

Pennsylvania—Earn. are promising 11 p. c. on the stk. for 1909, but in view of conserv. div. attitude, the 7 p. c. rate hardly likely to be reestab. dur. current cal. yr. (13)——The price of Penn. obviously held in check by existence nearly $20,000,000 bonds conv. at 140 and nearly $100,000 bonds conv. at 150. (2)——Report fis. yr. ended Dec. 31, 1909, should show close to $150,000,000 gross and $35,000,000, or over 11 p. c., earned for the stk. (1)——According to the statement of earn. just issued by the Penn. R. R. Co., the lines directly oper. show an inc. in gross rev. of $1,267,500, and in net of $388,700 for the mo. of June last. as comp. with that mo. last yr. The inc. in gross rev. for the 6 mos. end. June 30 am'ted to $6,119,800 and in net $2,124,300 as comp. with the same period last yr. The lines oper. west of Pittsburg and Erie for the mo. of June show an inc. in gross rev. of $971,600, and in net of $211,300, as comp. with the same period of last yr., while for the 6 mos. end. June 30 last, gross rev. inc. $4,801,100 and net $1,173,100, as comp. with the first 6 mos. of last yr. (8)

Pressed St'l Car—Cap., $25,000,000; work. cap., $3,306,302, 13.2 p. c.——Co. will build a $2,500,000 steel pass. car plant at Hammond, Ind., instead of McKee's Rocks, as orig. planned. (5)

Ry. Steel Springs——Plants now oper. on

from 60 to 75 p. c. of capacity. No rush of orders, but business coming in steadily and imp. all the time. Prosp. bright for a good yr. As to prosp. of div. on com., it does not look as though any would be decl. for some time. (1)

Republic Iron & Steel—Plants congested with business. Predicted that 1910 will estab. a new high record in earn., eclipsing 1907, when bal. avail. for divs. was equiv. to nearly 19 p. c. on pfd. (1)——Directors decl. a div. of 6¾ p. c. on pfd. stk., to be paid in instalments: ¾ p. c. on Oct. 1, 1909, and on Oct. 1 in each yr. 1910 to 1915 inclusive an instalment of 1 p. c. Transfer. div. warrants for the pmts. will be issued Aug. 1.——Co. has issued a circular letter to stockholders announcing that the com. has auth. sale of its unissued pfd. stk., proceeds to be used for extensions, etc. The priv. to sub. on Aug. 20 is given to stockholders of rec. Aug. 7 to the amt. of 9½ p. c. of the stk. then held, at par, payable in instalments as follows: $35 per sh. on sub., $32.50 per sh. Sept. 15 and $32.50 per sh. Oct. 1. This pfd. stk. will be entitled to cum. divs. from Oct. 1, 1909, and upon final pmt. of sub. int. will be allowed at 7 p. c. per an. upon prior pmts. from Aug. 20 to Oct. 1. (1)

Rock Island—Not prob. that in Oct. pfd. may receive semi-an. div. of 2 p. c. This for the half yr. would leave over $800,000 applic. to com. (11)——Perhaps no system in the country will rec. more ben. from big crops than this system, which covers the entire Miss. Valley. (14)——The favorable developmts. affecting these shrs. have been in the Frisco. As owner of $29,000,000 Frisco com. the R. I. Co. is in a position to benefit. Resumption of 2d pfd. divs. on Frisco would mean that R. I.'s equity is approaching crystallization. Even though no income were forthcoming from the Frisco in the near future, the fact that the finan. position of the subsid. is greatly strength'd should aid in the placing of R. I. pfd. in the div. list. (13)——Present indications are that the gross earn. of the system for the fis. yr. ended June 30, will prove to be about $118,160,000; total net inc. about $37,555,000, and the bal. avail. for divs. on the stk. of the co. about $6,250,000. A div. of 4 p. c. on the pfd. stk. would require less than $2,000,000; and this means that the co. is earn. a substantial sum applic. to divs. on the com. stk. That a div. on R. I. com. is not in sight is doubtless true, since co. is still putting large amts. into the property; but it is equally true that co. is destined to be one of the great ry. systems of the future, and its stks. to rank among the leaders of the market. (19)——After this yr. R. I. pfd. is entitled to 5 p. c. divs., and after another six-yr. period, the rate will adv. to 6 p. c. (13)

St. Louis & San Fran.—More than earned div. on 2d pfd. Pmts. likely to be resumed within a few mos. (18)——Income account shows 4 p. c. on 2d pfd., and 1.58 p. c. on com.

Seaboard Air Line—At a mtg. of stockholders Aug. 4 the adjustment plan incident to reorg. was approved, as was auth. of new ref. mtge. to secure an issue not to exceed $125,000,000 of funding bonds and of the new mtge. securing an issue not to exceed $25,000,000 of adjustment bonds. (11)——Although Aug. 15 was fixed as limit on dep. of Seab. Air Line bonds with the reorg. com., an extension may be decided on. The fis. yr. will show about $489,000 after existing chgs., or $1,462,000 under plan now accepted. This would allow for 5 p. c. on $25,000,000 adj. inc. bonds with $210,000 over, presaging well for continued pmt. of int. on the incomes. (2)

Sears, Roebuck & Co.—Net earn. 6 mos. end. June 30, $2,182,560, largest in history. After divs. on pfd. earned during these 6 mos. at rate of 17.6 p. c. per an., on com. (11)

Sloss-Sheffield—Prest. says: "We are sold up for the next 4 mos. and at pretty high prices."

Southern Pacific—So. Pac. has completed consol. of three of its Calif. traction cos. into a new $12,000,000 corp. known as Peninsular Ry. Co. of Cal. The new co. incl all present and contemplated ry. systems on the San Fran. peninsular as far as San Jose. Total 222 miles. In addition to these trolley lines, So. Pac. owns other very extensive st. ry. prop. cap. at more than $20,000,000 in and about Los Angeles. (2)——Practically all So. Pac. pfd. has been turned in for conv., either into com. or deben. bonds and cash. U. Pac. took out all of its $34,200,000 pfd. stk. in com. stk. This gives that co. $124,200,000 out of a total of approx. $270,000,000. So. Pac., the exact total issue depending upon the amt. of pfd. conv. into bonds. U. Pac.'s voting int. in So. Pac. is thus approx. 46 p. c. U. Pac.'s recent sale of its allotment of So. convert. opens up the possibility of a reduc. of the former's proportionate ownership. So. Pac. is now selling at a price to encourage a certain amt. of conversion of these bonds and every point of further advance will tend to accelerate the process. When the entire $82,000,000 have been exch. into stk. at 130, $63,000,000 will have been added to the sh. cap., making it, in round nos., $335,000,000, of which U. Pac.'s holdings represent almost 38 p. c. (1)——N. Y. Stk. Exch. has listed $7,497,000 add'l 1st ref. mtge. 4 p. c. bonds due 1953; total listed $109,383,000.——Co. has in its treas. bet. $35,000,000 and $40,000,000 free cash. A yr. ago the co. owed the U. Pac. alone $45,000,000, while other floating indebtedness brought the total up above $52,000,000. Ten mos. end. April 30 exp. for new const., purch. of property, etc., aggreg. $18,000,000, and this an "off year." Last yr. So. Pac. spent $20,000,000 on expansion; may spend twice as much this yr. It is a steady earner of divs., well estab. in a well-devel. territory, and it is a const. proposition. taking upon itself and its stockholders all the hazards of new fortunes, and prom-

ising the latter at least some measure of the rich reward that ordinarily comes of adventure carried to a successful issue. (1)

Southern Railway—Surp. applic. to divs. of $401,850 in 1907-8, closed fis. yr. 1909 with approx. $4,000,000; equiv. to 6.6 p. c. on pfd., which rec'd its last div. in Oct., 1907. Surp. sufficient for yr.'s pfd. div. of 5 p. c., with $1,000,000 to spare. (1)——N. Y. Stk. Exch. has listed $1,572,000 add'l 1st cons. mtge. 5 p. c. bonds; total $52,-710,000.

Third Ave.—Receiver Whitridge says: "$7,000,000 or $8,000,000 would prob. put road on firm finan. basis. The only chance the stockholder has is to take his new shrs. under plan now considered, or else lose his all in the co. The bondholders must be paid." (2)——Phila. stockholders are planning to org. a com. to force restitution of $16,000,000 to Treas. (11)

Twin City Rap. Trans.—For 6 mos. end. June 30 gross $3,250,066, inc. of $267,217, or 8.9 p. c. Net for divs. 14.6 p. c. ahead of first half 1908. Probable that bal. for com. will come close to 9 p. c., comp. with 8.27 p. c. in 1908, making four fis. yrs. during which co. has earned an aggreg. of 33 p. c. for com. and paid out 20 p. c. in divs. Co. has no floating debt, though $11,000,000 has gone into property in last 5 yrs. (2)

Union Pacific—From sale of U. P.'s $10,-000,000 Atch. pfd. stk., co. rec'd slightly over $10,000,000. Prev. to that, sale of $37,500,000 So. Pac. conv. bonds brought about $38,000,000, all may not be considered unencumbered, but trans. prob. inc. U. P.'s cash to extent of $25,000,000. These items and $18,000,000 surp. after divs. for last fis. yr. foot up $53,000,000, most of which, if not all, may be assumed to be in shape of cash or equiv., if it has not already been reinvested in other sec. This est. leaves out of acc't any surp. cash which the co. may have had on hand prior to the concl. of the trans. mentioned. Very strong belief that a large part of avail. cash assets of U. P. will be devoted toward strengthening foothold in B. & O. and N. Y. Cent., particularly the latter. An inc. in the U. P. stockholdings in the N. Y. Cent., it is believed, will be made either through acquisition of the shrs. in open mkt., or privately, or both. (11)——Co. has sold during past few weeks its holdings of Gt. North. Ore ctfs., amtg. at date of last an. report to 77.164 shrs. During the last fis. yr. it disposed of its remaining holdings of No. Pac. and Gt. Nor. (11)

U. S. Cast Iron Pipe—Total income fell off approx. $50,000 or about 73 p. c., as comp. with yr. prev. After deduc. pfd. div., there was a deficit of about $61,800, comp. with one of approx. $452,000 in 1908.——Cap., $25,000,000; work. cap., $3,980,682, or 15.9 p. c.

U. S. Leather—Free hides are a life saver to U. S. Leather Co. Ever since the big co. broke with the Chic. packers in 1907, it has been obliged to fight for its supplies of raw materials. There are those who even claim that the packers have gone out of their way to refuse the U. S. Leather Co. the supplies of hides it requires. Co. is now independent of packers. (2) (See Central Leather.)

U. S. Rubber—Per cent. of work. cap. to capitalization 25.9.

U. S. Realty & Imp.—Bal. applic. to divs. last fis. yr. $1,486,190, equiv. to 9.19 p. c. on stk. This comp. with 7.72 p. c. in 1908, 5.91 p. c. in 1907, 4.73 p. c. in 1906 and 7.08 p. c. in 1905. Co. making headway each yr. in matter of inc. earn. power. The holdings of stks. and bonds Apr. 30 last rep. a substantial inc. over 1907, nearly $2,000,000 over 1906, and $7,000,000 over 1905. Mtges. on real estate and equities in real estate Apr. 30, 1909, were smaller than ever prev. reported. (16)

U. S. Steel—Gary furnaces making new low records in costs. Claimed they are turning out iron at below any other plant in U. S. (2)——No doubt that the great rise in Steel com. has been largely due to the fact that Gary plant is now in position to inc. earn. power of the com. by an amt. equiv. to 5 p. c. per an. (14)——The corp. as of Dec. 31, 1908, had a work. cap. of $196,190,000, rep. 22.7 p. c. of its capitalization of $868,000,000. In the prec. yr. work. cap. was close to $225,000,000, the red. in 1908 being due to heavy expend. for new const. (2)——The industrial stks. as a class are selling at 18.16 times their div. rates, and on that basis the price of the 4 p. c. industrials should be about $73. Steel corp. has paid out in com. divs. or put back into the property an avge. of $61,800,000 per an., equiv. to more than 12 p. c. on com. stk. (19)——Report for quar. end. June 30 net $29,340,491. Surp. earn. for the June 30 quar. after ded. of all int. and sink. fund chgs., pfd. and com. divs., amt. to $5,894,-244, contrasted with $3,026,674 for Mar. 31 quar., $5,142,454 for quar. end. Dec. 31, 1908, $5,152,023 for quar. end. Sept. 30, 1908, and $195,595 for quar. end. June 30, 1908. Unfilled orders June 30, 4,057,939 tons, against Mar. 31, 3,542,595 tons, Dec. 31, 1908, 3,603,527 tons.——Quarter's earn. were at rate of 8 p. c. on com. These earn. at rate of $160,000,000 an., which would leave a surp. of $65,000,000. Unfilled tonnage at end of quar. largest since Dec., 1906. Since date of org. co. has spent nearly $400,000,000 on new const. and replacements; equiv. to nearly $80 per sh. on com. Inc. in cap. from 10,376,000 tons in 1907 to 14,500,000 tons, upon compl. of Gary plant. On same earn. per ton as in former yrs., this would give the co. total net earn. of $225,000,000, equiv. after subtracting all chgs. and divs. on the pfd., to 25 p. c. on the com. stk. (13)

Utah Copper—Without equal in annals of copper mining is the record of this co., which entered the producing list just two yrs. ago and for June prod. 5,250,000 lbs. of ref. copper, a rate equal to 63,000,000 lbs

per an. Costs for June were just in excess of 8c. per lb., indicating net profits on a 13c. metal market of $250,000, eq. to over $4 per sh., or about 8 p. c. on present selling price. It is not likely that this cost is equalled by any mine in this country prod. a like amt. of copper, a fact reflecting the advantages we have from time to time pointed out regarding the oper. of porphyry dep., henceforth the main factor in this country's future copper supply. (13)

Va.-Caro. Chemical—At annual mtg. the prest. said: Net prof. for yr. are $3,538,593, after deduct. $1,073,701 for repairs and maint., which is $466,765 more than chgd. last yr., and also after ch'ging off bad debts $163,223 more than prev. yr. Current assets exceed current liab. by $19,883,305. Total sales this yr. $44,942,227, exceeding last yr. by $5,144,287.——Div. of 3 p. c. on com. is from net earn. for fis. yr. end. May 31, 1909. Not the intention of directors to imply that stk. had been placed upon a permanent 3 p. c. basis. Whether or not will pay a yr. from present date depends upon showing for current fis. yr. (1)

Wabash—Wb. in the fis. yr. end. June 30 last failed to earn its deb. bond int. by $170,000. (1)——Prest. says: "Our road and St. P. work together very satisfactorily at Des Moines, but there is no traffic agreemt. The St. P. gives us most of its St. L. business, and in turn gets a good share of our traffic for Northwestern territory, but neither Pres. Earling, of St. P., nor I ever proposed any preferential arrangement. There is nothing in writing, but we have a gen. understanding how to help each other. Devel. of St. P.'s new line may cause closer relations, but so far there are such negotiations."——N. Y. Stk. Exch. has listed $113,000 add'l 1st ref. and exten. 4 p. c. bonds due 1956, making total net listed $31,476,000.

Western Maryland—To perfect reorg. a new co. will be formed to take over the property subject to its 1st mtge. and underlying and divisional bonds. New co. to issue "$10,000,000 4 p. c. non-cum. pfd. stk., conv. at option of holder into com. stk. at par and redeemable at option of co. at par; also $23,959,560 com. stk (auth. issue $60,000,000). Holders of ctfs. of dep. for gen. lien and conv. 4 p. c. bonds to receive: (A) for principal, 100 p. c. in new 4 p. c. pfd.; (B) for unpaid overdue cpns., incl. cpn. of Oct. 1, 1909, with int. thereon, 8.36 p. c. in com. The $8,274,160 cash required for pmt. of matured obligations, imp. and betterments will be raised by sale of $20,685,400 com. stk. to a bankers' synd., who will offer the same as follows: (A) To holders of ctfs. of dep. for $10,000,000 W. Md. gen. lien and conv. bonds, 50 p. c. of their holdings, i. e., $5,000,000 new stock for 40 p. c. of its par val., or $2,000,000. (B) To holders of $15,685,400 W. Md. com. stk. in exch. for their old stk. and on pmt. of 40 p. c. of par val. thereof in cash, 100 p. c. of their holdings, i. e., $15,685,400 new com. stk. for $6,274,160; total $8,274,160. The following sec. will remain undisturbed: W. Md. 1st mtge. 4s, $42,518,000; div. bonds $6,200,000; leased line bonds $1,659,300; leased line guar. stk. $574,650; total undisturbed bonds and guar. stk., $50,951,950. The $10,000,000 pfd. stk., which, in reorg. replaces the issue of conv. bonds, will thus take the orig. rank of these bonds as junior only to the first and underlying mtges. The property supporting the new pfd. stk. will be nearly $9,500,000 greater than that supporting the orig. issue of conv. bonds; and the latter sum thus will have been added to the equity rep. by the old com. stk., the old com. stockholders thus paying for new stk. an amt. equal only to this inc. equity." (11)——Plan is about what Wall St. expected. It will put W. Md. on a sound footing if the thing can be done at all. Floating debt is to be prov. for without issuing a dollar's worth of bonds. The alternative adopted is the issuance of com. stk. at $40 a sh. of $100 par val., but this sec. incurs no chgs. until more than earned. To put co. in position where present earn. will suffice to meet fixed chgs., the general lien bonds are conv. into non-cum. pfd., entitled to only 4 p. c. div. Here is a real reduction of fixed chgs. While assessment of 40 p. c. on stockholders is severe, all the amt. so raised goes to inc. their equity, as it would not do if raised through sale of bonds. If the latter were used they would, of course, have to go at a big discount. (2)

Western Union—The adv. in conv. 4s and stk. may have relation to offer of Am. Tel. & Tel. Co. to exch. its stk. for stk. of various subsid. cos. The conv. 4s are sec. by $9,733,100 N. Y. Telephone stk., est. to be worth from $150 to $300 per sh. This house called attention to the fact that the conv. 4s are callable at 105 on any int. day on or after May 1, 1912, so in case W. Un. should desire to exch. its N. Y. Tel. stk. for Am. Tel. & Tel. it would undoubtedly call the conv. bonds and thus release the stk. at the first opportunity. (2)

Westinghouse Elec.—Pres. Westinghouse in his report to stockholders says: "Your officials est. that the plants of co. have an an. output of $50,000,000. Cash cap. prov. is ample. Under the prov. of conv. bond indenture co. is required to provide a sink. fund of $500,000 annually, and to invest same in its conv. bonds. Since termination of receivership, co. has turned into sink. fund $1,500,000, covering requirements up to end of present cal. yr. This sum was invested in conv. bonds yielding a profit of $105,479. While there has been a decided imp. in the business of the co. since beg. of yr., it has not yet nearly reached normal, although outlook and inquiries indicate in near future full capacity will be required to meet the demand."——Working cap. now close to $32,000,000. Cash holdings close of last fis. yr. amt. to nearly $12,000,000, but inventories amt. to less than $10,000,000, comp. with nearly $17,000,000 two years ago. It is reasonable to assume that with

an inc. in the co.'s business a large perc. of cash holdings will be utilized for laying in larger stocks of raw materials. (1)——Orders have been placed with the Westing. Mach Co. for 1,000 high power automobile engines, the first of this kind of engine ordered from this co. Negotiations are pending for upward of 50,000 of the engines. For some time this co. has been experiment'g along adv. lines in auto. engine bldg. Recently large auto cos. have been making inquiries. July business largest in any single month during last 2 yrs. Approx. $3,000,000. Co. has rec'd a big order for elec. ry. materials from Chic. Rys. Co., calling for quadruple equip. of motors for 350 electric cars. This is first time Westinghouse motors have been used on surface lines in Chic. (11)——All the air brakes on the 8,000 cars ordered by the Penn. are to be furnished by Westinghouse. (1)

Wisconsin Central—See Minn., St. Paul & S. S. M.

INQUIRIES

Is there any point in connection with the science, methods or customs of the various markets which you would like to have elucidated? If so, write questions briefly and they will be answered in this column or otherwise. If personal reply desired, enclose stamped envelope. Address Inquiry Department.

☞ We do not give advice or opinions upon securities or probable market movements.

J. J. F.—The bonds of different interest rates are quoted at the same prices because of the difference in their maturities.

C. F. R.—We should like very much to accommodate you, but it would be unfair to our other subscribers if we were to send you the Bargain Indicator figures in advance.

J. E. O.—We regret very much that we cannot recommend to you a book which is devoted to bookkeeping in the stock brokerage and investment business.

M. E. T.—Judging from your letter, we should say that you are not only a preferred creditor, but, if the facts are exactly as stated, you are in a position to prosecute the firm members criminally.

W. J. M.—If the brokerage offices in Toronto are equipped with New York Stock Exchange tickers you can operate according to our Tape Reading articles just about as well as if you were in N. Y. If there are no tickers, it would be out of the question.

V. L. L.—We cannot advise as to the best thing to do with your Western Maryland. We do not think, however, that it will be several years before the stock is well established and the property is paying its own way. It is more likely to be a matter of a year or two.

C. T. C.—In making a Figure Chart you do not record the fractions. If a stock started at 109¾ and went to 111⅜ you would have only two figures on your Chart, viz., 110 and 111. You do not repeat a figure, but only enter new full figures as they occur. After entering 110 it must either touch 109 or 111 before you make another entry. If this is not clear, let us know.

W. V. R.—Replying to your inquiry the periodical entitled "Cotton," which is published at Atlanta, Ga., will give you an insight into the growing and marketing of cotton. Messrs. Hubbard Bros., Coffee Exchange Building, New York, have issued several pamphlets which should also prove valuable to you. We suggest that you write for copies.

The weekly and monthly earnings of all railroads and the annual reports of all principal Industrials are published in the Commercial Chronicle, the Wall Street Journal, and Benton's Quotation Records. The above will be found in almost any up-to-date banking or brokerage office. Your broker will supply you with Benton's Guide without charge. Earnings for the latest periods are already compiled therein.

D. P.—The information you desire is almost too much for us to supply by correspondence. We suggest that you ask your broker to furnish you with a free copy of the small pocket manuals with which every up-to-date brokerage house is supplied. They are published by Benton. This will give you earnings and further information. We never give advice as to buying, selling or holding. See heading of our Inquiry Column.

T. B.—At present there are three properties undergoing reorganization, namely, Chicago Great Western, Western Maryland and Seaboard Air Line.

Roger W. Babson, Wellesley Hills, Mass., issues a very complete dividend calendar which can be had daily or at regular intervals. Do not make the mistake of buying stocks in order to get dividends. As explained in back numbers of this magazine, this idea is a fallacy. What you gain in the dividend you lose in the market price.

W. F. R.—Great Western Com. is now selling at 2½. Its price fluctuates accord-

ing to supply and demand. We do not know whether it will be higher or lower by the time the last assessment is to be paid. The total assessment is $15 per share, payable $5 Aug. 20th, $5 Sept. 20th, and $5 Oct. 20th. If the stock does not fluctuate from this price, it will sell at 7½ with the first assessment paid, 12½ with the second assessment paid, and 17½ with the third assessment paid. If by the time the third assessment is due it should decline one point, the price then would be 16½. We can make no predictions as to price movements.

G. N. D.—You are right in assuming that we carry no "fake" ads. W. H. Tibbals is a well-known member of the Salt Lake City Stock and Mining Exchange. We have met him personally and have visited the institution with which he is connected. He is doing a legitimate business in good mining propositions. Many of these, he clearly states, are prospects and should be taken as such. See his article, "Legitimate Mining Investments," in Vol. 3, No. 4.

H. O. H.—The Ticker is issued on the 25th or 26th of each month. We have recently discontinued the return privilege, therefore newsdealers are cutting down their orders. If you will place a regular order with your newsdealer, he will secure a copy for you every month. If the dealer in question had looked up his bulletins, which are regularly issued, he would have seen our date of issue. The series of articles which you are anticipating should begin in the November number.

M. McC.—If you send your broker an order to buy 50 U. P. at 190 on a 30-point margin, using a stop order of 2 points, he will buy 50 sh. when U. P. touches 190. If it never touches there he will not be able to buy it. After the stock has been bought, if it should decline to 188, he will sell your 50 shares at the market. We advise you to read articles on stop orders in our back numbers.

J. C.—Rollo Tape requests us to say that you will find tickers in all the important cities, such as Philadelphia, Pittsburg, etc., as well as many of the smaller towns. If you will write to the Gold & Stock Telegraph Co., 195 Broadway, New York, they will tell you which city nearest you is supplied with ticker service.

We have a number of tapes on hand which we can tell at $1.00 each while they last. Every brokerage house in New York City is supplied with a ticker.

If you are coming to New York for the purpose of trying out the method, we should be glad to have you call upon us, and we will introduce you to a house suited to your purpose.

O. H. B.—We suggest that you continue to read The Ticker and the books which we have frequently recommended in our Inquiry Column. Your best plan is to wait until another panic occurs, but when it

Market 'Rithmetic

Many people hesitate to deal in securities or commodities owing to their lack of technical knowledge of the subject. This, to our mind, indicates false pride. There was a time when you knew nothing about the business or profession you now follow, but that did not deter you from making a start. Our greatest operators were once green hands at the business.

General Instructions

If you desire to deal in Stocks, Bonds, Cotton or Grain, the first requisite is to open an account with the banker or broker with whom you have decided to deal. This is done by remitting the necessary margin in the form of a certified check, bank draft, post-office or express order. Or you may deposit funds in your own bank for account of the broker, instructing the bank to notify him by mail, or by telegraph if expedient. Bear in mind, the broker must have your remittance, or be notified that your margin is in the bank to his credit, before he can execute your orders.

Margins

	Usual Margin Required	Equal to
Stocks	$5 to $25 per share	$500 to $2500 on 100 shares
Bonds	$50 to $100 per bond	$500 to $1000 on $10,000 bonds
Cotton	$1 to $2 per bale	$100 to $200 on 100 bales
Grain	3c. to 5c. per bushel	$150 to $250 on 5000 bushels
Pork	$1 per barrel	$250 on 250 barrels
Ribs	½c. per pound	$250 on 50,000 pounds
Lard	$2 per tierce	$500 on 250 tierces

These margins are the smallest received. You may, however, deposit larger margins if you wish, when the trade is first made or at any time thereafter. Some traders believe they are "beating down" a broker when they induce him to accept a small margin. In reality they are beating themselves down, for the surest way to lose money in the markets is to trade on thin margins. In extremely active markets, larger margins than the above may be required by the broker.

Minimum Trades

Stocks.—Usually brokers prefer to execute orders in 100 share lots. Upon request, The Ticker will recommend reliable houses which handle smaller lots on margin. All houses buy and sell small lots for cash.

Cotton.—100 bales.
Grain.—5,000 bushels.
Pork.—250 barrels.
Ribs.—50,000 pounds.
Lard.—250 tierces (340 lbs. to the tierce).

Commission Rates

New York Stock Exchange.—Stocks—For buying selling, ⅛%, equal to 12½c. per share on stocks of $100 par and 6¼c. per share on those of $50.
Bonds—$1.25 per $1,000 of face value.

New York Cotton Exchange.—$15 for buying and selling 100 bales (round turn).

Chicago Board of Trade.—
Grain—⅛c. per bu. for the round trade, equal to $12.50 on 10,000 bushels.
Pork—$12.50 on 250 bbls., round trade.
Ribs—$12.50 on 50,000 lbs, round trade.
Lard—$15.00 on 250 tierces, round trade.

Fluctuations

	Smallest Change	Equivalent to
Stocks and Bonds	⅛ of 1%	$12.50 on 100 shares of $100 par
Cotton	1 point, viz.: 9.20 to 9.21	$5 per 100 bales
Grain	⅛c. per bushel	$6.25 on 5,000 bushels
Pork	2½c. per barrel	$6.25 on 250 barrels
Lard	2½c. per 100 lbs.	$21.25 on 250 tierces
Ribs	2½c. per 100 lbs.	$12.50 on 50,000 lbs.

Placing Orders

Orders should be given in either of the following forms:

Buy 100 X. Y. Z. at (state price);

or,

Buy 100 X. Y. Z. "at the market."

The latter means at the best possible price, whether you are buying or selling. If your order is at a definite price, the broker always understands you wish to buy at that figure "or better."

In placing an order at a fixed price, always state whether it is good for that day only, or "G. T. C." (good till countermanded). When nothing is said on this point, orders are generally considered good only for the day of their receipt.

does come you should be prepared for it by knowing what class of stocks you wish to buy and how much. As this magazine is designated to meet the requirements of people like yourself who wish to act intelligently, we recommend that you absorb every issue beginning with Vol. 1, No. 1. We can send you Vols. 1, 2 and 3, bound, at $1.50 each, postpaid, and subsequent numbers at 25c. each.

After reading and studying out your plan for some months, we suggest that you write us just how you intend to operate, and we will tell you whether there are any weak points in the method you have outlined. We especially recommend that you read the story entitled, "A Specialist in Panics," which appears in Vol. 2.

C. B. F.—You will find some information regarding loans on Stock Exchange collateral in back numbers of The Ticker. When a loan is made for six months the principal is due and payable at the end of that time. The borrower must always keep a margin of 20 per cent. good. If the loan is for $100,000 he must deposit as collateral $120,000 worth of securities. If the market price of these depreciates during the period of the loan, he must furnish additional collateral to make good the deficiency, and if the value of the collateral increases he can withdraw the excess over 20 per cent. He also has the privilege of substituting collateral for that originally deposited, provided said collateral is satisfactory to the lender. No additional loan would be made because of increased value of collateral, but if the latter should increase, say $10,000, that amount of securities could be withdrawn and a new loan of about $8,000 made on it. Each loan stands on its own bottom and is either made for a definite number of days, weeks or months, or "on call." A call loan may be paid off by the borrower or called by the lender on any business day. A simple way of finding how much an institution will loan on the various securities is to figure one-sixth less than their market price. For instance, on a stock selling at 60 a bank would loan $5,000 on a hundred shares. This, as you see, allows for the required 20 per cent. margin.

SMITH'S FINANCIAL DICTIONARY (Second Edition), by Howard Irving Smith, has recently appeared and contains a very complete vocabulary of financial as well as other terms which have become legal by usage. The dictionary is international in scope, containing the financial and related terms in use in both Great Britain and the United States.

Some Panic Purchases

"SPECULATION in stocks on small margins is hazardous but there are few easier or surer ways of making money legitimately than buying stocks of intrinsic value when they are low and paying for them in full," said a successful business man.

"If a man who has the cash to pay for what he buys will only use ordinary judgment in selecting railroad or other securities for speculation he will be almost sure to come out ahead, even if he has to wait for some time for the market to advance. Those who had good bank accounts and bought stocks soon after the panic of 1907 and held on to them made big profits. The best dividend payers on the market dropped low but today they are up high and will probably go much higher.

"I have a friend who bought Sloss-Sheffield common at $24 a share in November, 1907, and locked it up in his safe. He has it yet. This stock is now selling up in the 80's. It pays a good dividend quarterly.

"I happened to have had some spare money in 1903 and bought 300 shares of United States Steel common at a fraction under $10 a share. I have it yet and it pays me handsomely, but I could sell it and make more than $15,000 profit."